Austria	[illegible]	Indonesia	[illegible]	Philippines	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Portugal	[illegible]
Belgium	[illegible]	Israel	[illegible]	Qatar	[illegible]
Cyprus	[illegible]	Italy	L2000	S.Arabia	[illegible]
Denmark	[illegible]	Jordan	[illegible]	Singapore	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Spain	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Sweden	[illegible]
France	[illegible]	Lux	[illegible]	Switz	[illegible]
Germany	[illegible]	Malaysia	[illegible]	Thailand	[illegible]
Greece	Dr150	Morocco	[illegible]	Tunisia	[illegible]
Hong Kong	[illegible]	Neth	Fl3.25	Turkey	[illegible]
Hungary	[illegible]	Nigeria	[illegible]	UAE	Dh7.00
Iceland	[illegible]	Norway	[illegible]		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,075 © THE FINANCIAL TIMES LIMITED 1990

Thursday February 15 1990

Φ D 8523A

ITALY

Leaning away from the new Europe

Page 15

World News

Guinness jury discharged, judge orders restart

Guinness trial, of four City of London businessmen, was halted after a juror asked to be excused on health grounds. The judge discharged the entire jury at Southwark crown court, London.

Mr Ernest Saunders, former chairman and chief executive of Guinness, and three other businessmen have denied criminal charges arising from the 1986 takeover battle for the Distillers drinks group. Report and analysis, Page 10

Polish concern

Poland wants to take part in consultations on German unification to ensure its borders and security are guaranteed, Prime Minister Tadeusz Mazowiecki said. Page 16

Mandela statement

Nelson Mandela held out the prospect of a negotiated settlement in South Africa before the end of the parliamentary term in 1994 and urged whites to support the Government. ANC under pressure, Page 4

UK concedes on HK

Britain backed down after intense diplomatic pressure from China and agreed to slower democratic development in Hong Kong. Page 16

Afghan peace plan

Eduard Shevardnadze, Soviet Foreign Minister, proposed demilitarisation of Afghanistan and a four-power peace conference in a plan for ending the Afghan civil war. Page 4

China ethnic worries

China's minister in charge of the 90m minority population expressed alarm over recent ethnic unrest across the border in the Soviet Union. Page 4

Arens visits Bonn

Moshe Arens, Israeli Foreign Minister, flew to West Germany signalling a significant softening of Israeli concerns about German reunification. Page 4

Indian Airbus crash

Indian Airlines Airbus crashed just before landing at Bangalore airport, southern India, killing 92 of the 146 passengers.

'Star Wars' mission

US launched a rocket to deploy two spacecraft to test 'Star Wars' anti-missile lasers, a military spokesman said.

Netherlands strikes

The Netherlands was hit by a series of strikes as workers protested against job cuts and wage offers.

Srinagar clashes

Six people were killed in clashes between Moslem militants and security forces in Srinagar, Indian state capital of Jammu and Kashmir, officials said.

US baseball row

US baseball club owners locked out players in an arcane fight over pay practices which threatens to delay the start of the season. Page 4

Bucharest protests

Bucharest was hit by anti-government street protests, and unrest within the Armed Forces led to strike action by military personnel. Page 2

Beer drinkers unite

Pilsen town, which gave its name to fine beer, is forming a Beer Drinkers Party to stand in Czechoslovakia's June elections.

INTERNATIONAL DRUGS TRADE

US President George Bush and Presidents Virgilio Barco of Colombia, Jaime Paz Zamora of Bolivia and Alan Garcia of Peru are scheduled to have a five-hour drug summit in Cartagena. It establishes for the first time the principle of co-responsibility for the drugs problem. Reports, Page 6

Business Summary

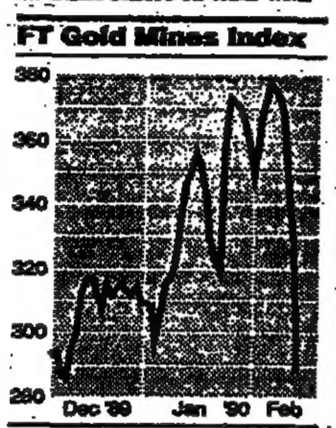
Home buyers in the UK face rise in interest rates

Home buyers in the UK face a new round of mortgage interest rate increases after Abbey National, the second largest home loans and savings institution, raised its rates ahead of the market.

In a move which took other lenders by surprise, Abbey National increased its basic mortgage interest rate from 14.5 per cent to 15.4 per cent. Abbey National has also raised its rates to savers by 0.75 percentage points. Page 19; Lex, Page 16

MARKETS: Johannesburg's market plunged, with the JSE Gold index falling 108 to 1,921 while the industrial index slid to 3,051, a fall of 84. Foreign investors sold stock amid concern over Nelson Mandela's hard-line stance on talks with

FT Gold Mines Index



the South African Government and the issue of nationalisation. Back page, Section II. West Germany's record-breaking run generated stock exchange turnover worth DM224bn in January. Activity improved in most other European countries - except France. Back page, Section II.

DREXEL Burnham Lambert, Wall Street investment bank, which filed for bankruptcy, continued to dismantle its business, selling assets and securities, a process which appears to be going smoothly. Page 17

JAPAN'S merchandise trade surplus was almost wiped out in January because of a customary seasonal slump in exports and a big rise in the cost of oil imports. Page 16

HANSON GROUP of the UK will sell its 70 per cent stake in Mount Goldsworthy Mining Associates to BHP, Australia's biggest company. Page 17

BRITISH AIRWAYS posted third-quarter profits of £71m, an increase of 39.2 per cent on the previous year. Page 17

EUROPEAN Commission has started legal action against Belgium and Italy for failing to implement EC legislation on unit trusts that came into effect last October. Page 3

TOYOTA Motor, Japanese auto maker, reported a 26.1 per cent increase in pre-tax profit to Y329.9bn ($2.3bn) in the first half to December. Page 20

UK OIL companies were not colluding to keep the price of petrol artificially high the Monopolies and Mergers Commission found after a year-long investigation. Page 10

DAIMLER-Benz, of West Germany, will report higher-than-expected group profits this year following a switch in accounting practice. Page 18

WESTLAND, UK helicopter manufacturer, has signed a memorandum of understanding with Aerospatiale of France and Messerschmitt-Bölkow-Blohm of West Germany to join the development project of a new army-support project. Page 11

PRUDENTIAL Insurance company, of the US, and Jones Lang Wootton, UK property advisers, have linked with seven other financial institutions across the world to start a $2bn property investment programme. Page 21

Perrier to withdraw and destroy all stocks

By William Dawkins in Paris

SOURCE PERRIER, the French mineral water group, is immediately to withdraw and destroy its world stocks of 160m bottles after the discovery of minute traces of benzene in some shipments.

The move, presented by the company last night as an attempt to wipe the slate clean after possibly the most serious setback in its history, will cost Perrier Ffr200m ($1.15bn) after tax or Ffr400m before tax.

The announcement came as the French Stock Exchange authorities launched an inquiry into unusually heavy buying of Perrier options. The crisis, which blew up over the weekend, threatens to dent severely Perrier's world dominance in bottled water.

"We do not want the slightest doubt, however small, to weigh on our product's image of quality and purity," said Mr Gustave Leven, the group's 75 year-old chairman, who refused to comment on the stock exchange inquiry.

In Britain, Asda, a leading food retailer, said last night it was clearing its shelves of Perrier water and would be stocking up with its own-label bottled water instead.

Other retailers are expected to follow a similar course of action. Most of the large groups have procedures to follow in the event of difficulties with products.

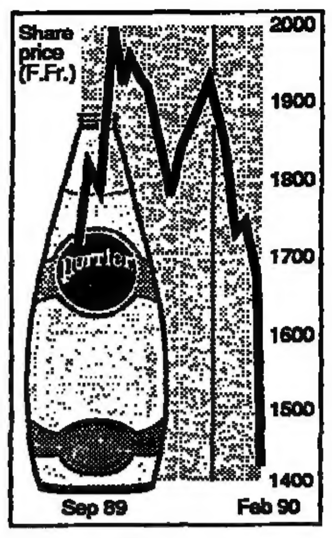
Perrier officials estimated that it could take between two days and three weeks, depending on distance, to replace its stocks, which would normally represent two to three months' supply. Perrier production restarted on Monday after the group's bottling lines, which are based in the southern French town of Vergèze, had been dismantled and cleaned.

The water had been declared pure by French national health authorities, said Mr Leven. Both the French and British ministries of health had confirmed that Perrier posed no risk to health, he said.

Perrier's shares continued to fall in the after-shock of the weekend announcement that US public health officials had found minute traces of benzene, which can contribute to cancer. They dropped Ffr60 to Ffr1413 in Paris yesterday, 4 per cent down on the day and 16.5 per cent down since last Friday, before the crisis broke.

The group believed the problem was caused by a gradual build-up of benzene, immeasurably small quantities of which can naturally occur in water, in a filter in its French plant, rather than the introduction of benzene from cleaning fluid or some other outside source, as originally feared. All filters had been changed as a result.

Continued on Page 16



Gorbachev urges tough laws as ethnic violence worsens

By Mark Nicholson in Moscow

PRESIDENT Mikhail Gorbachev called yesterday for tough laws to curb ethnic violence in the Soviet Union. He was speaking amid reports that eight more people had been killed in continued clashes between troops and demonstrators in the Tadzhikistan capital of Dushanbe.

The Soviet leader told the opening session of the Supreme Soviet, the standing parliament, in dramatic terms that the laws would counter what he called dangerous fires of ethnic strife which had spread to Dushanbe from Azerbaijan, where more than 140 people died in disturbances in January.

"There is a kind of chain reaction accompanied by an orgy of violence," Mr Gorbachev said. "The country's destiny and the safety of our people are at stake. We must do everything to put out the fire."

In spite of his words, however, the Soviet leader failed in his attempt to summon an emergency meeting of the Congress of People's Deputies – the country's supreme constitutional authority – to extend the executive powers of the presidency.

He had called for the Congress to be convened on February 27, saying that strong central powers were needed to tackle the crisis in the country. He said now was the time "to decide all these questions. More time could finish off the country."

The deputies, however, insisted on debating the question before deciding on a date.

Mr Gorbachev blamed the violence in Azerbaijan and Tadzhikistan on nationalist extremists.

"They are inconspicuous among the mass of people and push young people, women and children to the fore, forcing them nearly at gunpoint to make statements and sign unlawful, anti-constitutional acts," he said.

He gave no details of the proposed laws on ethnic violence, though he said they had been drafted and would be adopted as soon as possible.

Mr Gorbachev's speech preceded a third day of clashes throughout the Tadzhikistan capital in which local residents contacted by telephone said troops were firing at crowds in the streets from armoured vehicles.

The Tadzhikistan news agency, also reached by telephone, said that troops which had been mobilised to enforce a state of emergency declared on Monday night had not managed to bring the situation under control.

Tass, the Soviet news agency, said conditions in the city "deteriorated sharply" yesterday.

Moscow media reports have said that 37 people were killed in Dushanbe during unrest on Monday and Tuesday, apparently sparked by anger at rumours of privileged housing treatment being given to Armenian refugees.

Local journalists said a further eight were killed yesterday as troops opened fire on rioting crowds. However, interior ministry officials yesterday put the death toll since riots began on Monday at just 12.

Interfax, the Moscow radio service, said rioting continued day and night in the city, with gangs of youths raiding shops and private houses, smashing up vehicles and attacking bystanders. It said residents were forming self-defence units. It spoke of large groups of young men wearing traditional costumes roaming the streets and said: "Dozens of young girls have been raped and beaten for failing to wear folk kerchiefs or for having short hair."

Glasnost, an unofficial radical publication, said the disturbances had been fomented by a small group of militant Moslems from Azerbaijan who arrived in Dushanbe at the weekend and spread the rumours about Armenians.

Dushanbe has a critical housing shortage and locals often have to wait up to 10 years to receive accommodation from city authorities.

However, western analysts yesterday treated with caution claims that the disturbances arose from Moslem fundamentalism.

"Islam might be a convenient focus for the discontent, but its roots are economic," said one analyst. "It is not part of any pan-Islamic uprising."

Iran's state-run radio yesterday broadcast a warning to Moscow not to use violence against the Tadzhiks, a people closely linked by language and culture to northern Iranians. Iranian diplomats in Moscow refused to comment on the report.

Mass demonstrations planned, Page 2

Mikhail Gorbachev adddresses the opening session of the Supreme Soviet yesterday

Banks freeze funds after new Eurotunnel row

By Andrew Taylor in London

A FRESH row has broken out between Eurotunnel and contractors building the Channel tunnel which is threatening temporary financing arrangements agreed last month with the group's bankers.

The banks have frozen any further payments to the project until the two sides can reach agreement on management changes proposed at Eurotunnel. The contractors insisted on the changes as a precondition to signing the temporary financing agreement.

The five British and five French construction companies have declined to sign the agreement. They are unhappy with Eurotunnel's proposals which, they say, would make Mr Alastair Morton chief executive as well Eurotunnel's joint chairman.

They have also started legal proceedings in Nanterre in France against Eurotunnel for non-payment of money due this month to Transmanche Link, the construction consortium.

Eurotunnel refused to comment last night after a day which saw the group's shares falling 34p to 584p.

Under the temporary financing agreement, Eurotunnel would be permitted to spend up to £400m ($676m) during the next few months to allow construction to continue while extra finance to complete the project is raised.

The latest row, however, illustrates the deep rift between the contractors and Mr Morton who has publicly criticised their performance, blaming them for delays and the mounting cost of the project. This has risen to £7.2bn from an original forecast of £4.8bn.

A letter sent by Mr Peter Costain on behalf of the ten contractors to Mr Morton last month accused him of making statements that were "inaccurate, incomplete and calculated to mislead."

It continued: "You are quite well aware that we would not have signed the agreement were it not clear that far-reaching senior management changes in Eurotunnel were irrevocably committed. If the project is to survive, a dramatic improvement in the way that the owner exercises its management of the contract is essential."

The contractors had hoped that a new chief executive would act as a buffer between them and the combative Mr Morton, who would be left free to concentrate on raising fresh finance.

Under the changes proposed by Eurotunnel, however, Mr Morton would take over a new post of chief executive while Mr Alastair Fleming, currently a senior executive with BP Oil, would take over responsibility for the construction contract.

The contractors say one of the main reasons for the increased cost of the project has been changes in specifications made by Eurotunnel. The changes follow demands for greater safety and security after a series of fatal railway accidents in Britain and France in recent years.

The contractors say Mr Morton's confrontational approach to the project has made it difficult to develop common strategies to cope with the problems of extra costs.

EC states expected to bring forward economic union talks

By John Wyles in Rome and Philip Stephens in London

EUROPEAN COMMUNITY member states are expected to agree shortly to bring forward, possibly to July, their negotiations on a plan for achieving economic and monetary union on which talks had been due to begin in December.

Soundings are being made in Community capitals by the governments of Ireland, which is current holder of the EC presidency, and of Italy, which takes over in July. EC officials say the emerging response is broadly favourable, although they say reservations are expected from London.

The British feeling is that any decision to bring forward the conference would be premature as preparatory work among senior finance ministry officials and central bankers has only just got underway. It also sees German monetary union as further complicating the process of closer European integration, therefore necessitating more, not less, detailed work before a full conference is convened.

Italy, however, feels equally strongly that West and East German moves must be paralleled by an equivalent attempt to achieve EC economic and monetary union (EMU) – hence its desire for an early intergovernmental conference.

Mr Giulio Andreotti, Italian Prime Minister, and President François Mitterrand of France agreed during talks in Paris on Tuesday that the Italian initiative should go forward. The French president implicitly endorsed it in an interview published yesterday by eight French regional newspapers.

"I think that the acceleration of the inter-German process should be accompanied by acceleration of the European process. Why wait until December, for example, to hold the inter-governmental conference scheduled for that purpose?" the French President said.

Both governments apparently believe a decision to accelerate EC integration would help reassure the Soviet Union that German reunification will take place in a secure Community framework. Moreover, both were unhappy at last December's EC summit in Strasbourg that Mr. Helmut Kohl, West German Chancellor, was not prepared to hold the conference before his national elections this November.

The fact that he is now moving with all haste towards such links with East Berlin is seen as somewhat invalidating his original political caution over the same process at a European level.

Rome is also keen to establish a political link between German and Community moves towards EMU, believing that Bonn-Berlin moves will have an impact on the EC overall. Italian ministers want to ask the European Commission to supplement a report on EMU it is due to produce by the end of March with another assessing the probable effects of the

Continued on Page 16

Politics of the Mark; Page 14: Dutch may move on the guilder; Page 16

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Najibullah thrives while the 'ragtag' resistance wanes

A year ago, the government of President Najibullah in Afghanistan was top of everyone's list as the communist regime most likely to fall. Today, its guerrilla enemies look further from victory than ever. Page 4

MARKETS

STERLING
New York close
$1.69575
London:
$1.6955 (1.691)
DM2.835 (same)
FFr9.645 (9.6375)
SFr2.53 (same)
Y244.75 (244.0)
£ index 89.4 (same)

GOLD
New York: Comex Apr
$420.7 (422)
London:
$415.25 (418.25)

N SEA OIL (Argus)
Brent 15-day
$19.4 (19.8)

Chief price changes yesterday: Page 17

DOLLAR
New York close
DM1.6775
FFr5.7035
SFr1.4952
Y144.425
London:
DM1.6715 (1.6765)
FFr5.685 (5.7)
SFr1.492 (1.4965)
Y144.25 (144.35)
$ index 67.0 (67.1)

US Lunchtime Rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills:
yield: 7.85%
Long Bond:
$101\frac{1}{16}$
yield: 8.4%

STOCK INDICES
FT-SE 100:
2,288.3 (+5.1)
FT Ordinary:
1,822.4 (+4.3)
FT-A All-Share:
1,149.07 (+0.2%)
New York close
DJ Ind. Av.
2,624.32 (+0.22)
S&P Comp
332.01 (+0.88)
Tokyo: Nikkei
37,155.89 (+46.86)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{8}$ (same)
Liffe long gilt future:
Mar$87\frac{3}{8}$ ($87\frac{1}{2}$)

The division of Germany is a yawning chasm on supermarket shelves

E Germans hope for consumer revolution

By Andrew Fisher in Berlin

AS THE two Germanys speed towards unity more quickly than most people dreamed possible even a few weeks ago, the hope among poorer East Germans is that their living standards can rapidly approach those of the West.

But a rapid comparison of *shops on both sides of the Wall* that once divided Berlin shows that East Germany has a lot of catching up to do. The price of a basket of basic goods is certainly a lot cheaper in the east. But West German consumers have the advantages of greater choice and far better quality, a shopping environment that is mostly pleasant and friendly rather than starkly utilitarian, and faster service.

In a big supermarket near the centre of East Berlin beneath the huge television tower, a litre of milk costs 66 East German pfennigs. A loaf of bread is 80 pfennigs and 5kg of potatoes 1 Mark. A few kilometers away, in the pulsating centre of West Berlin, the milk costs DM1.50, the bread DM4 and the potatoes also about DM4.

However, the comparisons must be seen against the widely differing pay packets of the two Germanys and the exchange rate. Currently, the official East German exchange rate is 3 Marks for DM1. But at least five-to-one can be obtained in the west and not long ago the unofficial rate was 10 to one. Some East German economists and politicians want a one-to-one rate in the event of a currency union.

Meat is certainly cheaper in East Germany, where a kilo of pork schnitzel costs 10 Marks compared with DM17 across the border. But as a meal in a typical restaurant will show, the quality is much lower in the east. A packet of 20 cigarettes costs 3 Marks against DM4, while a bottle of beer is around 1.30 Marks against 80 western pfennigs.

West German D-Mark		East German Mark
1.50	Milk (1 litre)	0.66
4.00	Potatoes (5 kg)	1.00
17.00	Pork (1 kilo)	10.00
0.80	Beer (1 bottle)	1.30
6.50*	Instant coffee	15.00**
4.00	20 cigarettes	3.00
1.00	Soap (1 bar)	2.00
4.00	Loaf of bread	0.80
2.20	Butter	2.20

*100 gm **50 gm

In East Germany 1 D-Mark officially = 3 E.German Marks

Shopping comparisons exclude rents, which are incredibly low in East Germany after decades of subsidised accommodation. In West Germany, they are vastly higher and rising.

But the income difference is also big. The average monthly net wage in East Germany is about 1,000 Marks; in West Germany, it is nearer DM2,500. But then productivity in East Germany is put at roughly half that of West Germany.

Nor do the prosperous West Germans have to wait patiently for a little wire basket before being allowed into their supermarket. In East Germany they have to queue before entering, and then again at slow check-outs. The range of goods is limited and boringly packaged, and quality often poor.

And that is in East Berlin, whose citizens have mostly been better provided for than elsewhere in the country. Supermarkets in the east have nothing like the colourful displays of pineapples, bananas, kiwi fruit and other exotic products that supermarkets in Berlin and other West German cities contain.

Euro-MPs back early German reunification

By David Buchan in Strasbourg

ALL the main groups in the European Parliament yesterday expressed support for early German reunification, with only the Left and a visiting Soviet delegation warning against East Germany being effectively annexed into Nato.

There were also calls for the Twelve to bring their conference on European monetary union, set for December, forward to coincide with monetary negotiations between the two Germanys, likely to start after the East German elections next month.

Speaking for the Christian Democrats, the Parliament's second largest group, Mr Emilio Colombo said the inter-governmental conference (IGC) should be advanced. He was-were voicing the same concern expressed by Mr Jacques Delors, the Commission president, to Parliament on Tuesday that German unity might upstage and upset the long-mooted IGC. Majority voting determines the timing of the IGC, which is being held against the sole objection of Mrs Margaret Thatcher.

The Commission's job, said its president yesterday, was to "reason as if presented with a new request for accession" and to go through every area of EC activity to see how soon East Germany could adapt to Community rules.

Mrs Maire Geoghegan-Quinn, Irish minister for European affairs, yesterday asserted it was the Irish presidency's prerogative to call a special EC summit on Germany, not that of MrDelors who suggested it on Tuesday, but indicated Dublin agreed with the likely need for such a meeting.

Most groups backed Bonn's moves on German unity, with the Socialists, Strasbourg's largest political bloc, proposing a standing European Parliament committee to scrutinise intra-German developments, and the British Tories calling for "orderly" adaptation of East Germany to EC rules.

But the Kohl Government was lambasted by the Greens. Their German spokeswoman, Mrs Birgit Cramon Daiber, said a European stability fund should be set up and East Berlin given time and money to restructure its economy, she said, instead of being pushed into a "hasty" union.

Strasbourg's two Communist factions criticised Chancellor Kohl for acting "irresponsibly" in failing to reassure Poland about its western border. "It is absurd to think that united Germany can be in Nato – it must have some new status," said Mr Luigi Colajanni, an Italian communist.

The sole, but forceful, proponent yesterday of a German "third way" was Mr Franz Schonhuber, leader of the right-wing Republican party. Saying that the Germanys were neither American nor Soviet colonies, he demanded that all foreign troops should leave a unified Germany, which should adopt a stance of "armed autonomy". He supported "a Europe of Fatherlands".

Heading a Supreme Soviet delegation here, Mr Valentin Falin one of Moscow's leading German experts, said in areas of the Soviet Union hit by the last war like Leningrad, Smolensk and Byelorussia "the prospects of German reunification are not seen in as theoretical way as in other countries". At the last central committee plenum, he said "the concept of a Munich was talked of in relation to the Soviet Union", with the evident fear that the loss of East Germany would leave the Soviet Union as defenceless as Czechoslovakia was after its 1938 cession of Sudetenland.

West Germany's Finance Minister, Mr Theo Waigel (left) and Mr Helmut Haussmann, his colleague at the Economics Ministry, get their heads together before a cabinet meeting yesterday to discuss a supplementary budget for aid to East Germany

Allies signal imminent end to policing of flights to E Berlin

By David Marsh in Bonn

THE US, Britain and France have told the Bonn Government that Lufthansa, the West German airline, can fly to Berlin, signalling the imminent end of a 45-year-old system of policing flights between the two Germanys.

The offer by the western Allies, part of suggestions for wide-ranging liberalisation of Berlin air traffic, will be discussed in a meeting on Friday between the Bonn Foreign Ministry and senior diplomats from the three Nato partners.

News of the breakthrough, which seems likely to allow Lufthansa to fly to Berlin before the end of the year, came as Mr Hans Modrow, the East German Prime Minister, ended a two-day visit to Bonn.

Mr Modrow left the West German capital claiming he was disappointed with lack of progress on West German aid for the beleaguered East German economy.

Bonn and East Berlin have agreed to start detailed talks next week on economic and monetary union, but Ms Christa Luft, the East German Economics Minister, yesterday accused Bonn of lacking a concept for bringing together the two states' economic systems.

By contrast, Ms Luft described as "good" her talks yesterday with Mr Heinz Ruhnau, the Lufthansa chairman, on improving air traffic between the two Germanys.

Mr Ruhnau has in the past accused the western allies of obstructing efforts to modernise East and West German air transport arrangements.

Under regulations dating from four-power control of Germany at the end of the Second World War, only airlines owned by the three western Allies can fly between West Germany and West Berlin, in three separate air "corridors" laid down at the end of the war.

At Friday's talks, the Bonn Government will present a joint paper drawn up by the Transport Ministry in coordination with other government departments to sketch out a new air traffic regime.

Lufthansa and the East German airline Interflug have since last summer started an increasing number of flights between the two states. By the end of March there will be 31 weekly connections.

Although these are not currently permitted to cross the East-West German border, Lufthansa hopes for approval soon from the Allies for regular flights - for instance from Frankfurt to Dresden - to cross the border rather than flying via Czechoslovakia.

Osram and Zeiss start reunification talks

By David Goodhart in Bonn

OSRAM, the lighting company, and Zeiss, the optics group, two German companies split in half by the division of the country, have announced talks aimed at bringing the two halves together again.

Osram, the West German subsidiary of Siemens, may buy a majority stake in the East German Narva group, which partly consists of former Osram businesses.

Carl Zeiss Oberkochen, the West German group, is unlikely to be invited in the short term to make a bid for Carl Zeiss Jena, the East German group, as the latter is one of the flagships of East German industry. However, a wide range of co-operative projects are envisaged between Osram and Zeiss.

Other East-West German co-operations announced in the past few days include:

- Goldwell, one of the world's biggest producers of hair and skin care products, based in Darmstadt, has announced a joint venture with the hair division of the main East German cosmetics group. Goldwell is immediately expected to start deliveries to East Germany's 4,500 hairdressers.
- Huels, the West German chemicals group, has announced closer co-operation with its former East German sister company Buna.
- Preussen Elektra, part of the West German Veba group, and Bayernwerk, another West German energy group, have announced provisional plans to build in co-operation with East German groups two small coal-fired power stations.

MEPs delay environment agency

By David Buchan in Strasbourg

THE European Parliament yesterday delayed creation of the European Environmental Agency, in protest at its lack of inspectors to compel and check data from EC member states.

Mr Carlo Ripa di Meana, the Environment Commissioner, then accused MEPs of an excess of pro-"green" zeal in having amended the plan to include an inspectorate which itself had no hope of winning the necessary unanimity among the Twelve.

The prospect of a "pollution police" is sure to turn Spain, for one, from reluctant acquiescence to open opposition.

MEPs sent the issue back to their environmental committee. This delays by at least a month action by the Council of Ministers, in the hope that Strasbourg can wring some concessions from Brussels and EC states. Last week Mr Ripa di Meana told reporters that some of the 12 member states disregarded many laws, that others contested the validity of existing environment rules and that some nations, particularly Belgium and Italy, failed to respect rulings by the European Court of Justice.

Among the member states, Spain was the worst offender, followed by Belgium, Greece, France and Italy.

Petre seeks to prevent mutiny

ROMANIAN Prime Minister Petre Roman yesterday sought to prevent a mutiny in the armed forces by agreeing to investigate allegations of military involvement in the killing of civilians during last December's revolution, Reuter reports from Bucharest.

Mr Roman was under pressure to calm a tense situation as a crowd of about 3,000 uniformed army and air force personnel gathered outside the headquarters of the ruling National Salvation Front (NSF).

The military demonstrators demanded a complete public accounting of the army's role in the deaths of up to 700 civilians in clashes which led to the overthrow and execution of dictator Nicolae Ceausescu.

Swedish Government faces defeat and deadlock in polls

By Robert Taylor in Stockholm

SWEDEN'S minority Social Democratic Government faces parliamentary defeat today over its wage, price, rent and dividend freeze but many observers do not believe an early general election will provide an answer to the crisis.

"Our problems are as much constitutional as they are economic," said a senior adviser to Mr Ingvar Carlsson, the Prime Minister, yesterday.

The trouble lies in Sweden's constitution, which came into force in 1974. This involved the creation of a single-chamber parliament, reduction in the length of the parliamentary mandate from four to three years with concurrent elections at national and local level, and introduction of proportional representation with an allocation of seats between all parties polling over 4 per cent of the vote.

"The constitution has contributed to making a conspicuously stable political system more unstable than it has been since the 1920s," argues Professor Olof Ruin at Stockholm University.

The combined effect of the reforms – designed to produce a more democratic system – has been to undermine strong government in Sweden and encourage party fragmentation.

Last week, Mr Carlsson said the constitution put big demands on the political parties; it required their willingness to conciliate and compromise in order to prevent political paralysis.

But with only three-year intervals between elections, parties were reluctant to jeopardise their support by identifying themselves with tough policies.

"The short-sighted perspective leads to discontinuity and hastiness on the part of government," argues Professor Ruin.

For the first two years under the 1974 constitution the ruling Social Democrats under the late Olof Palme with Communist support had to rely on the Speaker's casting vote for a majority of one in the then even-numbered 350 strong Parliament.

From October 1976 to September 1982 there were no less than four successive non-Socialist coalition governments. With Communist support the Social Democrats have governed ever since but with a dwindling joint majority.

At the 1988 general election 43.2 per cent of voters backed the Social Democrats, ensuring the party 156 seats out of 349. By contrast, Britain's Conservative Party polled 42.3 per cent in the 1987 general election but, thanks to the first-past-the-post system, won 376 of the 650 seats.

There is little likelihood of Sweden changing to a UK-type system. In fact, Sweden appears to be moving closer in its political instability to what is happening now in Norway and Denmark where coalition governments rule uncertainly, almost from day to day and never sure of winning a majority in Parliament for any of their policies.

- Sweden's balance of payments deficit more than doubled to SKr32.3bn (£3.1bn) last year from SKr13.5bn, according to preliminary figures. The deterioration was particularly marked in the last two months when there was a SKr11.9bn rise in the deficit, mainly due to a huge outflow of capital.

Soviet democracy groups plan mass action

By Quentin Peel in Moscow

Organisations campaigning for multi-party democracy in the Soviet Union are planning co-ordinated mass demonstrations in Moscow and cities across the country to demand a round-table conference with the Communist Party, timed for just one week before the next round of republican elections.

Plans were agreed on Tuesday night, as reports of popular demonstrations against Communist Party leaders in many parts of the country continued to flow into the capital.

At the same time, fears are groing among independent candidates standing for next month's elections in Russia, Ukraine, and other republics, that the authorities may use popular unrest to postpone or restrict the polling.

The attempts by the opposition forces, grouping social democrats inside and outside the Communist Party, the Memorial movement to rehabilitate victims of Stalinism, the Democratic Union, and others, come as President Mikhail Gorbachev suffered a setback in his attempts to call an emergency session of the Congress of People's Deputies to decide on changes to the Soviet constitution extending the executive powers of the presidency.

Two new organisations have been formed this week to challenge the power of the party and press for sweeping democratic reforms.

One is a Citizens' Action Committee, planning a big demonstration in Moscow and other cities on February 25.

The other is a bloc of candidates for the Russian elections, called Democratic Russia which wants to become an "independent political force" in the Union's most important republic.

"The organisers expect 1m people or more," according to one participant at the action committee meeting, which was chaired by Mr Yuri Afanasyev, a leader of the Inter-Regional Group of people's deputies.

However, mass protests were already reported yesterday from Vladivostock, in the Soviet Far East, from Tyumen, the main oil-producing region of Siberia, and from Byelorussia. In Vladivostock, the protesters are demanding the resignation of the entire Communist Party and trade union leadership in the region.

A party plenum is to be held today.

In Tyumen, oil workers staged a revolt in the Surgut area, where they apparently seized the headquarters of the Communist Party committee, and the local soviet, to protest against bad working conditions, lack of decent food supplies and basic social services, according to the independent Glasnost newspaper.

Radio Moscow's Interfax news service reported last night that thousands of Byelorussians in the town of Mogilev are demanding the immediate resignation of the republican communist party and government leaders.

Many of the demonstrations reflect heightened tension and activity in the run-up to elections in Russia, Byelorussia and the Ukraine on March 4.

Mr Gorbachev himself admitted that growing crisis of confidence in the country when he opened the Supreme Soviet session in Moscow yesterday.

"There is growing dissatisfaction in the country with the pace, rates and results of perestroika, with the situation on the consumer market, the exacerbation of inter-ethnic problems and the slackening of order," he said.

However, he failed to persuade the deputies to summon an immediate new session of the Congress of Deputies – the supreme constitutional authority – on February 27 to amend the constitution.

"Today is the time to decide all these questions. More time could finish off the country," Mr Gorbachev warned.

However, the deputies insisted that they be given more time to debate the question, and simply agreed to set aside time for such a debate in their legislative agenda, on which they want to include 50 separate items.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EUROPEAN NEWS

Dublin lets fishermen off the hook

By Kieran Cooke in Dublin

PEACE has broken out in the west of Ireland. The bonfires have been lit in celebration. More than a few drinks have been taken. The Irish "Rod War" is finally over.

It started in early 1988 when the Government introduced an annual I£15 (£14) licence for trout fishing. This caused apoplexy among Ireland's angling fraternity, a fiercely independent and canny breed.

It was not the money, said the anglers. It was a matter of principle. In the west, bloody battles had once been fought with British landlords for the right to free fishing. The Irish Government was not going to take that away.

The anglers accused the Government of trying to take control of the country's 680,000 acres of lakes and 9,000 miles of river. Waters would be given over to fish farming and some of the world's best fishing waters would be declared off limits.

The Government insisted on the licence. There was no such thing as a free fish, it said. The anglers imposed a fishing boycott. Boatmen refused to take visitors out on the lakes. Signs saying "Licensed Anglers not Welcome Here" were erected.

The dispute grew nasty. Those who tried to fish had their boats sawn in half. Visitors were mystified. A party of German anglers who brought licences and went fishing had their car tyres slashed. French anglers who did not buy licences had their rods confiscated by water bailiffs.

Tourist revenues of more than I£50m per year were lost as foreign fishermen stayed away. The Roman Catholic church intervened to try to solve things, but to no avail.

The dispute had political implications. In a general election last June the Fianna Fail party, led by Mr Charles Haughey, the Irish Prime Minister, lost vital votes in marginal constituencies in the west of Ireland. As a result Fianna Fail, for the first time in its history, was forced into a coalition.

But now, under a complicated formula agreed by anglers and the Government, the dispute is settled. Concessions have been made by both sides. The Government has abolished the fishing licence but anglers have agreed to form co-operatives to help finance fishery developments.

Today is the first day of the trout fishing season. It's great news for the anglers. Not such good news for the fish.

Portugal tells investors it is 'gateway to Europe'

Lisbon believes it can withstand the alternative charms of the eastern bloc, writes Patrick Blum

FOREIGN investment in Portugal is booming, and, despite fears that investments which would have come to Portugal may be diverted to eastern Europe, the Portuguese authorities believe their country is well placed to face the challenge.

All the same, government departments and business organisations are keeping a close watch on developments in eastern Europe and intensifying their promotion efforts in important markets to ensure that Portugal does not lose out. A $10m (£5.9m) campaign aimed at the US, Japan and Spain has just been launched to promote Portugal as a stable and profitable centre for investment.

Mr Antonio Mexia, vice president of the Instituto do Comercio Externo de Portugal (Icep), the foreign investment promotion agency, says some of the fears about a switch of investments from southern to eastern Europe are exaggerated. "There will be competition [from eastern Europe] in the short term, but I don't think it will be a major problem because their economies are very distorted. They don't have organised market economies, and it will take them a long time to restructure," he says. These distortions will limit eastern Europe's capacity to attract and absorb a high level of western investment.

That view appears to be shared by some foreign investors. In September, Mr Alain Minc, vice president of Cerus, the De Benedetti group's Paris-based holding company, predicted that the centre of gravity was shifting away from north-western Europe to the south. "In 15 years the motor of Europe will be in the south," he said.

That view still holds, says Ms Valerie Bernis, spokesman for the group. "Developments in Eastern Europe do not affect our fundamental strategy and there have been no transfers of activity, though some of the [group] companies may be interested. But at the moment, it is very difficult to do anything there," she says. Eastern Europe's economic, legal and social structures need to be considerably modernised.

The Government's strategy to promote Portugal outside the EC as "a gateway to Europe" is likely to help maintain foreign investment. Until the mid-1980s, Portugal did not consider foreign investment a priority, but there has been a radical turn-around. "We used to wait for investors to knock at our door, now we are knocking at their door," Mr Mexia says.

New rules and incentives were established to encourage investment with the objective of bringing new industries and technologies as well as creating jobs. Icep was given the task of negotiating investments to cut bureaucratic delays. "In the past, a foreign investor had to call at 20 different doors, now we deal with and solve all the problems here," Mr Mexia says.

Faced with increasingly tough competition from Europe and newly industrialised countries in Asia, the Portuguese authorities came to two important conclusions. First, that Portugal could not rely solely on its comparative low costs advantages. Wages – still among the lowest in Europe – and other costs have been rising and will continue to rise as Portugal becomes more integrated within the European Community. Portugal had to offer competitive incentives as well as publicise the country's economic and political stability, and high productivity potential, he says.

Second, that there should be more effort to attract non-EC investment, thereby reducing Portugal's reliance on the richer northern European countries which still account for most foreign investment.

The strategy appears to be paying off. Last year, direct foreign investments more than doubled to reach a record Es360bn (£1.4bn). The two largest single investments came from the US, with Ford and General Motors deciding to set up new plants near Lisbon.

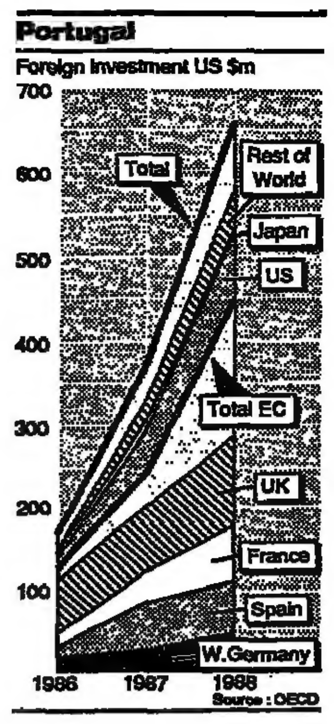
Ford moved first, announcing in July an investment of Es22.3bn for a plant in Setubal to produce car audio equipment – the group's first audio components plant in Europe. The plant is scheduled to reach full production in 1992, producing premium quality radios, compact disk players and other high technology audio components. GM followed, announcing plans to set up a Es9bn automotive electronics plant, also in Setubal, to manufacture electronic ignition systems, mostly for export.

Other big investments included two joint ventures: Continental of West Germany, the world's fourth largest tyres group, has set up a joint venture with Mabor, Portugal's leading tyre manufacturer, with a projected investment of DM230m (£82m) over the next four years; the Valmet Corporation of Finland is setting up a plant to manufacture tractors and tractor parts with IPE, a Portuguese state-owned holding company, with an investment of Es4.2bn.

Large investments are also expected in the automative and electronics sectors as well as in the pulp and paper industry, with discussions already under way with US, Japanese, Korean and European groups.

Among them, Daihatsu is considering a possible investment of about Es15bn in a plant to manufacture jeeps and commercial vehicles.

Mr Mexia says foreign investment will again rise substantially this year, demonstrating Portugal's growing attraction as an investment centre especially for companies wishing to sell in Europe.



PORTUGAL'S 330 air traffic controllers plan to take the Government to the international courts over an order preventing them from striking, their union said yesterday, writes Patrick Blum in Lisbon. The union had planned to start a five-day strike over pay which would have paralysed non-essential flights from midnight on Tuesday, but called it off after the Government banned the action and forced the controllers to work or face the sack. The legality of the Government's action is being challenged by the union in Portugal's labour courts; similar moves are planned in international courts. The Government's move "undermines the workers' right to strike, the union said.

Commission wheels out some heavy guns in war against dirty money

By Lucy Kellaway in Brussels

"WE SHOULD deny any benefit to those who live by trade in drugs, terrorism and organised crime." Stirring words from Sir Leon Brittan yesterday in explaining why the European Commission has taken up its heaviest arms in the fight against dirty money.

It may be hard to disagree with the Competition Commissioner's sentiment. But his announcement that the Commission is to put forward a directive that will force member states to make processing of all sorts of dirty money illegal is more controversial.

Some states argue that there are already enough international bodies involved. The United Nations Vienna Convention of 1988 seeks to outlaw the laundering of drug money and has been signed (although not yet ratified) by all EC countries. A task force set up by the Group of Seven industrial nations last summer is preparing its own recommendations, a process in which the Commission and several EC countries have been involved.

Others question whether the Commission is acting within its competence. As a general rule, Brussels has no power to interfere in criminal laws. However, in this case it is invoking the Single Market Act: if money-laundering constitutes a barrier to the free movement of capital across the EC, it is within the Commission's powers to remove it.

Given the urgency of the problem, not to mention its high political profile, member states may feel reluctant to block the directive, however strong their procedural objections. Nobody knows exactly how much money-laundering goes on, but everyone knows it is big. The G-7 task force is working on estimates of around $80bn a year for the US and Europe. Other estimates have put the figure higher still.

The Commission argues that its action complements other international efforts. Its plans are to be much broader than existing work; they will cover dirty money from all sources – blackmail, terrorism, arms dealing, rather than just drugs. They will also cover not just banks, but institutions as much on the fringe as casinos, and bureaux de change, both of which are popular routes into the system for suspect money.

Commission officials admit that casting the net so wide may cause severe enforcement problems, and so are intending to leave considerable leeway in the interpretation of the law and exactly whom it will cover.

The proposals also go beyond the Vienna convention by laying down the broad principles to be followed in tracing suspects. Brussels has shunned the rigid system that exists in the US, under which every cash deal above $10,000 is painstakingly examined, and has opted for a system in which banks must report any suspicious transaction.

The Commission ideas are modelled on the UK system. They would oblige banks and other financial institutions to find out who was behind each transaction, "taking reasonable reasonble measures in cases of doubt," Sir Leon said. Financial institutions would not be allowed to enter into any questionable transaction, and all suspicious facts would have to be reported.

This would involve changes to the laws of some states. At present only the UK, France and Luxembourg have specific laws against money laundering, but these refer either entirely, or principally, to drugs. Other member states are either in the middle of introducing such laws (Belgium and West Germany), or (Italy and the Netherlands) have general provisions covering the proceeds of crime.

It is far from clear whether any of the methods developed will succeed: against the billions of dollars laundered, the few millions in suspicious transactions reported to the authorities are pretty small.

Italy and Belgium face action over unit trusts

David Buchan in Strasbourg

BRUSSELS has started legal action against Belgium and Italy for failing to implement EC legislation on unit trusts that came into effect last October, Sir Leon Brittan, the financial services commissioner, announced yesterday.

The so-called Ucits directive allows a mutual fund based in just one EC state to sell its wares in the other 11.

Sir Leon also announced a Commission recommendation for guidelines to prevent bank customers being unknowingly overcharged for cross-border money transfers. He warned that the Commission was also looking to see whether bank customers were being overcharged for cheque clearing.

● The Canary Islands are to change their tax system to pave the way for full integration into the EC, the local government said yesterday, Reuters reports.

The Canary Islands, a province of Spain off the north-west coast of Africa, opted out of the customs union, common farm policy and tax system of the EC when Spain joined in 1986 in order to protect the booming tourist industry.

But Spanish authorities have now reached an initial agreement with the Canary government to bring its tax system into line with EC norms, a government spokesman said.

Thousands of British, West German and Scandinavian holiday makers have flocked to the islands, attracted partly by their duty-free status.

But tourism has slumped over the past year, and the Canary parliament sought full EC incorporation in December, although with concessions to reflect high transport costs to the islands.

Under the accord, the seven islands which include Tenerife, Lanzarote and Gran Canaria, will in future levy a unified indirect tax in place of a series of local taxes.

The modifications, negotiated by senior economy ministry official Jose Borrell during a visit this week, transfer authority for tax regulation to Madrid. Officials said the new tax was intended to conform with EC norms on value added tax. A final version of the tax accord is expected to go to the Spanish parliament in April and be submitted to Brussels for EC approval before taking effect next January.

ANC 'unlikely to place faith in nationalisation'

By Kenneth Gooding, Mining Correspondent

THERE was little chance that an ANC-dominated South African Government would carry out a wholesale nationalisation programme, suggested Mr Gavin Relly, chairman of the Anglo American Corporation of South Africa, yesterday.

He said that his contacts since 1985 with ANC leaders and those of the South West African People's Organisation (Swapo)in Namibia had convinced him that "their position is that they will do better by private enterprise rather than by putting everything in a state pot."

Mr Relly said the prosperity of southern Africa was at stake. "Our neighbours are acutely aware that, if the South African economy doesn't prosper, they don't have a snowball's chance in Hades."

Those multinational businesses which had disinvested from South Africa had not relocated in southern Africa. "That emphasises my view that nobody would invest in southern Africa unless they could invest in South Africa." Anglo American is South Africa's biggest industrial group with interests as various as beer and insurance. But the core of its business comes from gold mines which the ANC has said it would nationalise.

Mr Relly pointed out that South Africa was not a rich country but in terms of GNP per capita was just behind Poland, Lebanon and Brazil and just ahead of Costa Rica and Malaysia. Removal of trade sanctions would not transform South Africa into a Japanese-style economy.

He insisted that a Whitehall-style democratic government, with its "winner take all" constitution, would not work for South Africa because it would lead to a one-party state. And one-party states were "economically incompetent".

He said Mrs Thatcher's attitude towards the changes in South Africa was being misinterpreted. It was not that she wanted the removal of sanctions but she realised, rightly, that "whatever you think of the South African government, it has the authority to create change and must be supported and motivated to create change. Mrs Thatcher wants to move that change along."

Exiles under pressure to react to de Klerk moves

By Mike Hall in Lusaka

TOP policy-makers of the African National Congress met behind closed doors in Lusaka yesterday as pressure mounted for a firm united response to President F.W. de Klerk's reforms and his decision to release Mr Nelson Mandela, the ANC leader.

Discussions among the 35-strong national executive committee of the ANC are expected to last several days. The meeting in the Zambian capital is the first since Mr de Klerk lifted the ban on the organisation in South Africa two weeks ago.

Western diplomats say it is possible that the committee will come up with little more than a reiteration of the conditions for negotiation: troops out of the townships, the lifting of the state of emergency and release of all political prisoners.

It is also possible, diplomats say, that the executive will postpone big decisions until they have been joined by Mr Mandela who has said he wants to travel to Lusaka as soon as possible to consult the ANC leadership. "They desperately need to get Mandela up here, especially now that he is obviously such an important figure," said one diplomat.

Many observers believe the organisation has been thrown into confusion by the extent of the reforms announced by Mr de Klerk and the speed with which Mr Mandela was released. Mr Oliver Tambo, the ANC president, is in Sweden recovering from a stroke at a time when he is most needed. Mr Alfred Nzo, secretary general and acting president, appears unable to step adequately into Mr Tambo's shoes.

Diplomats say that one of the most important tasks of the executive is to attempt to ensure that the unity that existed within these organisations when liberation was a more distant goal is maintained when negotiation politics begins in detail and when divisions within the leadership could more easily emerge.

Israeli minister visits Bonn

By Hugh Carnegy in Jerusalem

MR MOSHE ARENS, the Israeli Foreign Minister, flew to West Germany for a brief visit yesterday signalling a significant softening of Israeli concerns about German reunification.

In remarks made public shortly before he left, Mr Arens said he did not see danger in a united Germany "if that united Germany is a democratic Germany fully conscious of the responsibilities that it has towards the Jewish people".

Israeli leaders have shown strong misgivings about reunification because of the Nazi holocaust during the Second World War. Recently Mr Yitzhak Shamir, the Prime Minister, expressed them in an exchange of letters with Mr Helmut Kohl, the West German Chancellor.

Mr Arens said Jews could not think about German reunification without remembering the holocaust. But he said West Germany was already a world economic power based on well established democratic institutions. Absorbing East Germany would not effect a great change. "If there was a breakdown of democratic institutions in West Germany itself that would be a danger. We don't fear that."

German reunification will be a central subject of Mr Arens' talks today with Mr Hans-Dietrich Genscher, the West German Foreign Minister.

Democracy squeezed out in Basic Law debate

Peking outplays Britain over franchise for Hong Kong's legislative council. **John Elliott** reports

SHOULD there be 18 directly-elected seats, or 20, 22 or 24? Should they be introduced in 1991, 1995 or 1999? Should there be a two-tier voting system?

Students in Hong Kong are staging sit-ins over the issues and are threatening to boycott classes. Sir Alan Donald, Britain's Ambassador in Peking, has been locked for about a month in daily negotiations with China's Foreign Ministry and yesterday it emerged that agreement has been reached – just 18 seats in 1991 and 20 in 1995.

The focus of all this attention is the Basic Law which will form Hong Kong's mini-constitution after the British colony returns to Chinese sovereignty in 1997. This week, the Peking-dominated drafting committee of the law is meeting for its final plenary session in the Chinese capital before the law is promulgated next month by the National People's Congress.

Coming in the wake of the Soviet Union's dramatic political changes, it might be assumed that the aim has been to provide Hong Kong with rapid democratic initiatives as the colony approaches the end of 150 years of benevolent but undemocratic British rule with no universal franchise.

That would be wrong. China has resolutely turned its back on Eastern Europe and is resisting change both for the mainland and for Hong Kong, which it now regards as a centre of potentially-dangerous political dissent.

Accordingly, it has used a mixture of skilful, diplomatic ploys and threats to out-manoeuvre British negotiators and to wear down the groundswell of support for universal franchise which built up in Hong Kong during last June's Tiananmen Square student movement.

As a result, calls for full democracy have been replaced by arid debates about whether there should be 18 or 20 directly-elected seats in a 60-seat legislature in 1991 or in 1995, plus a possibly restrictive two-tier voting system. There is not even any guarantee that full universal franchise will ever be considered in the future – a recently-introduced restriction which has been scarcely noticed let alone debated.

China has also used Hong Kong's UK-encouraged preoccupation with the narrow seats issue to eclipse other subjects which could prove to be far more important after 1997 and which Hong Kong had wanted to be improved following publication of the law's second draft a year ago.

These include the independence and jurisdiction of Hong Kong laws and courts and the relationship between the legislature and the executive. Another issue is the method for choosing an all-powerful Chief Executive who will replace the present British Governor: an electoral college will be used for at least the first two terms which means that Peking can virtually hand-pick him.

British officials, however, say they have little chance of improving such points because the law as it now stands is in line with 1984 Sino-British Joint Declaration on the 1997 hand-over which lays down that Hong Kong should have a high degree of autonomy for the next 50 years.

The UK has for decades done virtually nothing to develop direct elections, responding in part to the lethargy of the Honk Kong people and in part to China's aversion to political development. The present legislative council consists of government appointees and people indirectly elected by occupational groups.

In 1988, it was decided that limited reforms should start next year when 10 people (18 per cent) out of 58 would be directly elected. In the wake of last June's events in China, Hong Kong campaigners called for 50 per cent (30 seats) next year and full universal franchise in 1995, which would continue into Chinese rule in 1997.

More moderate voices on the existing executive and legislative councils plumped for 33⅓ per cent (20 seats) next year, 50 per cent in 1995 and 100 per cent in 2003. A business-based lobby group struck a more generally popular note, which was broadly taken up by the British Government, for 30 per cent (18 seats) in 1991, 40 per cent in 1995 and 60 per cent in 1999.

All these proposals from 1995 onwards have been rejected by Peking, partly because it is not prepared to countenance anything that is a reaction to last June's events and partly because it fears that direct elections are more likely to bring liberal – or subversives in its book – to power.

Even before last June, Peking's aim was to limit the number of directly-elected people until 2007-12 so that it could, if it wished, then curtail subsequent moves towards universal franchise. A year ago, the draft law proposed gradual progress to 50 per cent by 2003, when a curtailed referendum would decide on whether to go to 100 per cent. That was said to be too restrictive by even some senior Peking officials and was expected to be improved, possibly to even 100 per cent in 2007 or 2011.

Hong Kong's massive pro-democracy demonstrations last June changed Peking's mood and halted the potential improvement. The referendum idea was ditched but was replaced with new wording which removed a specific reference to "all members" being "selected by general election" (ie full universal franchise). Now, it only vaguely refers to possible future changes in the formation of the legislature. A controversial two-tier voting structure which is expected to be reduced this week as a Peking concession was also introduced.

China's only real concession in Sir Alan's negotiations has been to agree to move up from 18 to 20 seats for 1995, which will continue in 1997. This leaves headroom for the UK to have 18 seats next year, which is the minimum needed to avoid a big row in Hong Kong. That is a far cry from the 50 per cent (30 seats) in 1995 called for by existing council members.

China's leadership has dealt its cards cleverly and has played on Britain's fear that confidence in Hong Kong would be reduced by political uncertainty and by sniping from Peking in the next few years if no agreement was reached. That fear has even made the UK abandon a fall-back option of refusing to take a decision on 1995 till later in the hope that more moderate Peking leadership would emerge in the meantime.

In the end, China has conceded nothing that will affect the balance of power after 1997. Britain, on the other hand, has ensured that, unless there is a big change in China's leadership before 1997, it will leave no significant democratic traditions behind in its last important colony.

HONG KONG: PROPOSALS FOR DIRECTLY ELECTED REPRESENTATIVES(*)

ELECTION DATE	1991	1995-7	1999	2003
BASIC LAW DRAFT Feb '89		27%	38%	50%
"PEKING" MODEL Jan '90 (60 seats)		30%	40%	50%
SINO-BRITISH PLAN Feb 1990(60 seats)	30%	33%	40%	50%
LOBBYISTS' PROPOSALS				
COUNCIL MEMBERS' CONSENSUS	33⅓%	50%	66⅔%	100%
UK FOREIGN AFFAIRS CTTEE & HK LIBERAL LOBBY	50%	100%	100%	100%
BUSINESS GROUP CONSENSUS	30%	40%	60%	?

(*)Figures are percentages of the Legislature seats which would be elected by universal franchise. The remainder of the seats are for various mixes of indirect or sectional elections, plus appointed members and civil servants.

China worries about unrest among its ethnic minorities

CHINA'S minister in charge of the country's 90m minority people has expressed alarm over recent ethnic unrest across the border in the Soviet Union and the collapse of communism in Eastern Europe, Reuter writes from Peking.

Stability and unity among China's own ethnic groups had been affected by these recent developments, Ismail Amat, the Minorities Minister, was quoted as saying by the official China Daily yesterday.

The minister warned a national conference on minorities on Tuesday that "separatists and forces hostile to the Communist Party here and abroad" were damaging China's stability.

"They always stir up turmoil and conduct separatist activities under ethnic or religious disguise," he said in a tough speech apparently heralding a clampdown on China's minorities, who for centuries have staged rebellions against the Han Chinese majority.

An official said large numbers of extra troops had been sent to Tibet's regional capital of Lhasa to back up units enforcing martial law which was declared in the city last March after fierce anti-Chinese demonstrations and rioting.

Troops have also been dispatched in recent months to remote areas of Sichuan Province where there are rumblings of unrest among Tibetans living there.

Diplomats and academics said Peking also alarmed by a resurgence of Islam among minorities in the northwest frontier region of Xinjiang – just across the border from Soviet Tadzhikistan where unrest forced officials to declare a state of emergency on Monday.

Four times the size of France, Xinjiang has a population of some 15m people, of whom about half are Islamic. Only about 30,000 are Tadzhiks.

Last May thousands of Moslems took to the streets in Xinjiang's capital Urumqi and in Qinghai's Xining to protest against a Chinese book they said insulted their religion.

"The policy towards the minorities now is 'relax to the outside, tighten within'," the official source said.

The new policy meant tighter control over religion, stepped up family planning, more restrictions on travel and more political education. Economic reforms would continue however.

Although they make up only about 8 per cent of China's 1.1bn people, the ethnic groups cover almost two-thirds of the country's territory, mainly sensitive border areas such as Tibet, Xinjiang and Inner Mongolia.

LDP fails to assuage women's ire

By Ian Rodger in Tokyo

UNTIL last summer, women did not count for much in the male dominated world of Japanese politics.

But the introduction of a 3 per cent consumption tax in April and the sight of politicians mired in bribery and sexual scandals were enough to bring angry women out of their traditional subordinate and obedient roles.

The so-called "Madonna" phenomenon was widely cited as on the main causes of the surprise defeat of the ruling Liberal Democratic Party (LDP) in last July's elections to the upper house of the Diet (parliament).

So far, in the current general election campaign, the word Madonna has not been heard much, but there are many indications that Japanese women have not gone back quietly to making tea and arranging flowers.

For one thing, there are 66 women candidates running for election on Sunday, the most in 40 years. For another, opinion polls show not as many women as men have forgiven the LDP for its transgressions last year.

According to one poll of 10,000 voters, while 47.5 per cent of men claimed to support the LDP, only 38.2 per cent of women did. The women's support level had dropped by more than 9 per cent since last year.

"Women still have very strong feelings, they will be voting to have an impact," Ms Takako Doi, chairman of the Japan Socialist Party (JSP), said at a press conference on Tuesday.

"The effect will be as big as it was in the upper house election last year, and much larger than it was in the previous general election," she predicted.

However, that does not necessarily mean a big boost for the JSP vote. Anger among women with the LDP has been tempered by disappointment that the JSP has been unable to emerge as a credible alternative government.

"What we have now is a dominant LDP and opposition parties that can do nothing but say No to the LDP's policies," Mrs Miyoko Ikezaki, organiser of a Tokyo women's study group on political issues, said.

Also, the image of the JSP as a party that supports women has been tarnished by its inability to overcome the resistance of many of its male incumbents to having new women candidates in their constituencies.

Under Japan's multi-seat constituency system, a candidate representing a minority party, such as the JSP, tends to resist facing competition from another candidate of the same party for fear it will split the party's vote and both will lose.

The party has fielded only eight women candidates, compared with 29 for the Japan Communist Party and 13 independents.

Toshiki Kaifu, the Prime Minister, completes an absentee ballot paper in Tokyo yesterday. Election day duties will prevent him from voting on Sunday in his home district near Nagoya

UK halves subscription to world telecom union

By Hugo Dixon

BRITAIN has cut in half its subscription to the International Telecommunication Union, the world's oldest inter-governmental organisation in protest at the way debates were held at the union's plenipotentiary meeting last year.

The ITU, founded in 1867 to help co-ordinate telegraph traffic, became a special agency of the United Nations in 1947. Britain's move has some similarities with its decision to pulled out of the UN Economic Social and Cultural Organisation at the end of 1985 because it was dissatisfied at the way Unesco was being run.

The recent decision may fuel fears that the UK is isolating itself from the rest of the world community by taking a hard line in international bodies.

Britain notified the ITU at the end of last year that it proposed to cut its subscription from 30 units – equivalent to about £3m a year – to 15 units.

Before this action, the UK was the joint largest contributor to the ITU budget along with the US, Japan, West Germany, France and the Soviet Union. Even after the move Britain will probably be among the top ten contributors out of the ITU's total membership of 166.

The UK's main complaint is that the ITU secretariat and sub-committee chairmen took a partisan line in debates at last year's plenipotentiary meeting.

As a result the UK feels its views were not properly taken into account. The UK was also piqued to be voted off the ITU's administrative council the union's 40-member ruling body when a group of developing countries which disagreed with the UK's free market approach to telecommunications chose to voted for Greece instead.

The UK has made clear to the ITU that it still intends to be involved in the union's day to day work. However, it believes it was important to send a signal that it was unhappy with the way the ITU was conducting its debates.

The ITU's main work consists in setting technical standards which would allow telecmmunications networks around the world to connect, in agreeing on how the radio spectrum should be used, and in making recommendations on the tariffs that should be charged for international phone calls.

Najibullah waxes while 'ragtag' resistance wanes

Christina Lamb on why the communist regime in Kabul has not followed the fashion of collapsing

IF ANYONE, from the US State Department to the Kremlin, had been asked a year ago to bet which communist government was most likely to fall, that of President Najibullah in Kabul would have been at the top of every list.

But while communist bastions across eastern Europe fell like dominoes, in Afghanistan, one of the world's poorest countries, communism last year began to acquire legitimacy both at home and abroad, almost entirely because of the blindness of US foreign policy.

It is exactly a year since the Soviet commander-in-chief crossed the Oxus, completing the withdrawal of Soviet troops from Afghanistan and proving President Mikhail Gorbachev's commitment to a lessening of Moscow diktat.

American jubilation was complete. The wild men of the mountains whom the US had supported for the last eight of the nine years of Soviet occupation had humiliated the world's largest army.

Things have changed a bit since then. The mujahideen who were supposed to be the good guys are now more often depicted as ragtag terrorists or narrow-minded fundamentalists. Their leaders rarely speak to each other and are on their fifth and most elaborate attempt to form a government.

Western journalists trying to report the war have been sent death threats by extremists among the mujahideen whose campaign of assassinations of intellectuals and rivals has deterred aid agencies from sending workers.

Western embassies which fell over each other to leave Kabul before the expected resistance invasion are considering returning.

Guerrilla commanders have taken in large numbers to the only psychiatrist's couch in Peshawar, unable to comprehend their failure to defeat the Afghan army. The answer it seems is that the muhahideen did not win against the Soviets – they just did not lose.

Today the onus is on them to win. The mujahideen in themselves have not changed – they are still the best equipped, worst organised guerrillas in the world, liable to oversleep and miss battles or kill each other because they do not know where forward lines are.

Their record is hardly glorious. In 10 years they have won control of only five small provincial capitals out of 31 and have never managed to capture an airport or close a road for any length of time – a feat crucial to cut off President Najibullah from his Soviet paymasters enabling him to keep support of the two-thirds of Afghans still living inside and stave off defections.

The mujahideen, perhaps as much as anyone, were victims of propaganda from CIA and Pakistani military intelligence. The cruel irony is that the only commanders with real capability to make decisive moves were alienated by these agencies and often deliberately denied a share of the arms supply. Many of today's splits in the resistance are due to the deliberate divide-and-rule policy of their Pakistani hosts and manipulation by the different interests of their US, Pakistani, Chinese, Iranian and Saudi backers.

While President Zia of Pakistan was alive he could keep them together but Mrs Benazir Bhutto, the Prime Minister, seems unwilling or incapable of forming a coherent policy.

Some hardliners in the US Congress and Pakistani military are still insisting that the mujahideen should make another push and more and better arms should be sent. However, the guerrillas are demoralised and hardly fighting. Much of the $700m arms recently sanctioned are being sold in Sind.

This is not to say the mujahideen cause is any less worthy – the communist government was installed illegally and though President Najibullah is trying to distance himself from the earlier war years when the regime carried out ruthless executions, he was head of the secret police during that time.

The lack of US and Pakistan policy in effect has done the mujahideen out of victory. Had there been negotiations last year, Moscow would have dropped Mr Najibullah and settled for elections, the return of the king or a part-communist share in government.

In Moscow last week Mr James Baker, the US Secretary of State, intimated that the US would no longer insist on the removal of Mr Najibullah as a precondition to talks.

The US still believes Moscow will drop Mr Najibullah because of the cost of maintaining him, estimated at $1bn a year, and is desperately trying to rid the resistance government of the fundamentalists whom in the past they supported so strongly.

But it is hard to see why President Najibullah should agree to negotiate, while the recent unrest in the Soviet Moslem republics bordering Afghanistan makes it more important for Moscow to have a sympathetic and certainly non-fundamentalist government in Kabul.

Moscow presents plan to end civil war

MR Eduard Shevardnadze, the Soviet Foreign Minister, yesterday proposed the demilitarisation of Afghanistan and a four-power peace conference in a plan for ending the Afghan civil war, Reuter reports from Moscow.

The 10-point plan appeared in an article signed by Mr Shevardnadze in the government newspaper Izvestia, marking the first anniversary tomorrow of the withdrawal of Soviet forces from Afghanistan.

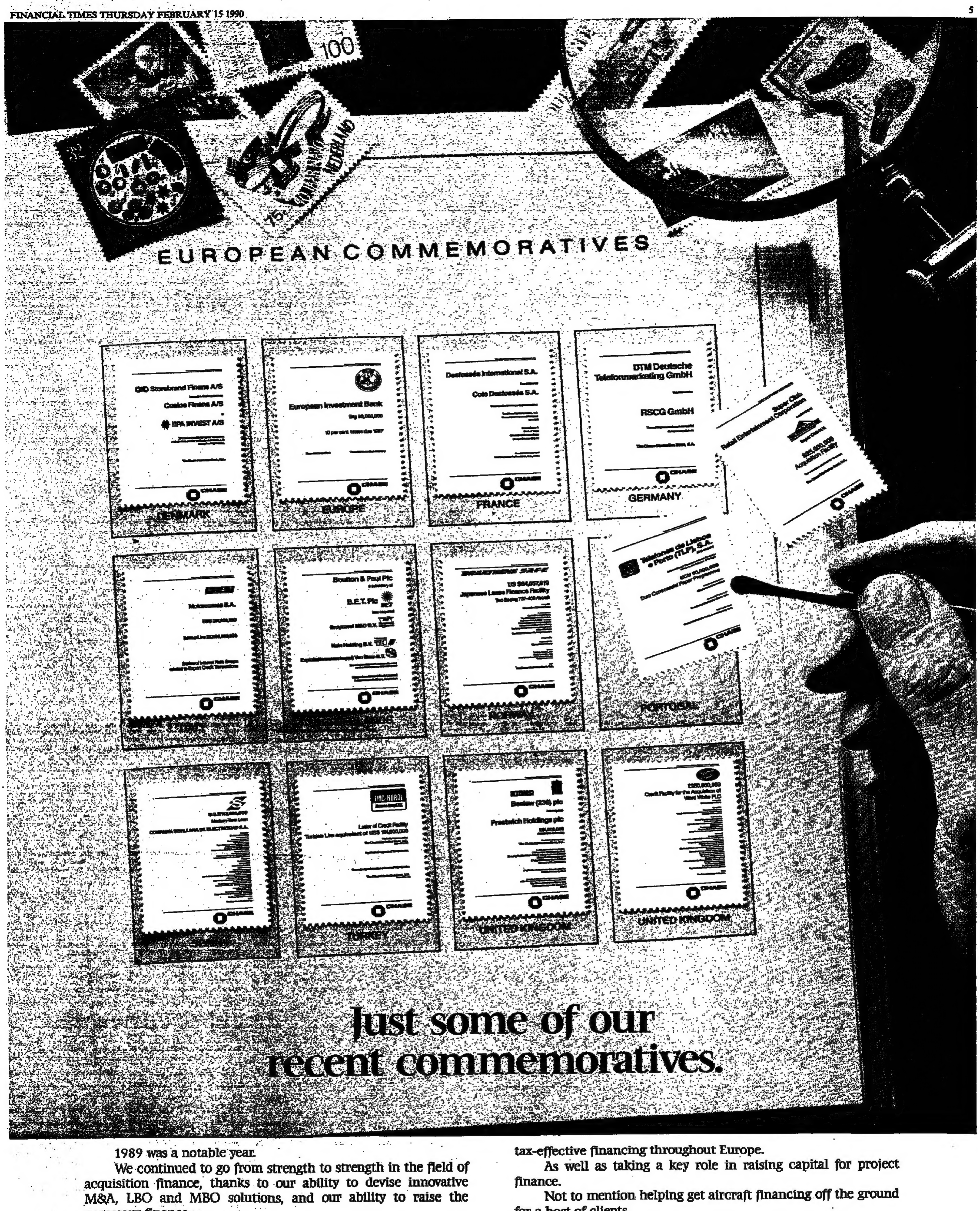
He proposed a halt to all arms supplies to Afghanistan and a ceasefire between the Soviet-backed Kabul Government and the US-backed mujahideen rebels, followed by the removal of all arms stocks from the country. This would be a prelude to the demilitarisation of Afghanistan.

Mr Shevardnadze also proposed a conference on Afghanistan between the Soviet Union, US, Pakistan and Iran. It would be attended by Afghan government and opposition figures and the UN Secretary-General or his representatives.

Pakistan and Iran host some 5m Afghan refugees. Washington and Moscow are guarantors of the April 1988 Geneva agreement that ended Soviet involvement in Afghanistan.

Mr Shevardnadze proposed Geneva, Rome or Vienna as venue for the conference and said the Soviet Union would if necessary act as an intermediary between Iran and the US in view of their hostile relations.

He said he had discussed Afghanistan in Moscow last week with Mr James Baker, US Secretary of State, but did not say whether he had put the 10-point plan to him.



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CHASE

THE INTERNATIONAL DRUGS TRADE

American leaders join forces to crack drug menace

By Robert Graham

FIVE HOURS is a short time to agree on new measures to combat the international drugs trade. Yet this is all the time US President George Bush and Presidents Virgilio Barco of Colombia, Jaime Paz Zamora of Bolivia and Alan Garcia of Peru are scheduled to have for their drug summit in Cartagena today.

It is hard not to see this as a purely symbolic meeting between the Andean producers of coca leaf cocaine and the main consumer of the drug. Nevertheless the historic encounter establishes for the first time the principle of co-responsibility for the drugs problem.

In the past both sides have argued from opposing corners. Washington has acted on the basis that cocaine consumption was primarily a production problem, while the producers have always believed that illicit production of cocaine was largely a response to demand.

The summit is narrowly focussed, excluding regional producers of marijuana (Jamaica and Mexico) and important producers of opium and heroin (Guatemala and Mexico). It also includes marginal cocaine manufacturers like Brazil, Ecuador and Paraguay, as well as all the transit countries along the clandestine drug

routes into the US.

The meeting is going ahead in spite of a strong groundswell of disquiet over the US invasion of Panama last December. President Garcia only recently withdrew his threat of a boycott. His behaviour underlines the differing motives the two sides have for getting together.

President Bush is principally concerned to assuage his domestic audience, demanding measures to combat the rising tide of crime linked to cocaine and its derivative, crack. The summit was proposed last September as part of his much publicised Drug Control Programme.

Apart from being seen to take the fight into enemy territory, the drug barons' home ground, Mr Bush wants the Andean leaders to give the US greater flexibility of action. In practice, this means permitting the US more freedom to operate inside the producer countries with personnel and sophisticated equipment. At present such activities are closely controlled and subject to extreme local political sensitivity. As a counterpart, the US is willing to provide more resources to help in crop substitution and general economic support.

The Andean leaders would prefer a multilateral approach to the whole problem via the US; but they recognise that it must go along with the Bush initiative. Nevertheless their priorities are different.

They believe the drug problem must be tackled in the context of under-development and unfair terms of trade. Thus almost as a pre-condition they want better access for their products in US markets. Lost foreign exchange earnings from the US instigated collapse of the international coffee agreement last August has so far not been offset by the increased aid promised by Mr Bush to fight drugs.

A second prerequisite is that the US must provide a quantum leap in its economic assistance. The sums so far talked about for crop eradication programmes and fighting poverty are considered grossly inadequate. The figure of $2bn a year for the foreseeable future has been mentioned as a maximum target by some Andean countries' officials. The Andean leaders deny they are using the drug issue to extract more aid to help their economies crippled by debt and the additional problems of internal subversion. Nevertheless the issues are closely interlinked.

Another demand is that Washington ends its punitive approach to aid whereby assistance is conditioned by annual certification of efforts to combat the drug trade. In the past this has led to frequent friction. This demand for greater comprehension also includes the hope that the US will act with greater delicacy towards producer countries' domestic political problems.

There is great sensitivity to the apparent militarisaton of the US fight against drugs. This is especially so in the wake of the Panama invasion. Sensitivies were underlined by the furore over US plans in the wake of Panama to send a large carrier led fleet to the Caribbean waters of Colombia.

Finally, both sides still regard the problem of drugs in different time scales and sociological contexts. President Bush has gone for a punitive approach without major reforms to deal with the problems of the inner cities, where drug abuse is worst. The Latin American countries are facing up to the menace of drugs against a far more complex social background in which drug use and contraband has long existed beside weak central authority.

Thus for all the goodwill likely to be generated in Cartagena, close co-operation promises to be a long haul amid the minefields of mutual misunderstanding.

US optimism is guarded prior to Cartagena talks

By Lionel Barber in Washington

PRESIDENT George Bush flies to the resort city of Cartagena today to cement a regional alliance with Bolivia, Colombia and Peru to wage common war on drugs.

Mr Bush's visit is, above all, a show of support for President Virgilio Barco of Colombia, the summit host. It was his crackdown against the Medellin cocaine cartel six months ago which showed that a Latin American country had the political will to take on the narcotics traffickers, thus opening the way to greater regional co-operation.

The Barco crackdown coincided, too, with the emergence of drugs as the political issue which most preoccupied the American public; more so than the budget deficit, the Soviet threat and Japanese competition.

As a result, the Bush Administration accelerated efforts to persuade the Latin American cocaine-producing countries to support its own comprehensive drug strategy.

The enticement came in the form of a $2.3bn five-year programme of economic, military, law enforcement and intelligence aid to the three Andean countries.

This assistance will range from strike helicopters for attacking cocaine laboratories to economic aid for attracting peasants away from coca producing areas to new economic development zones.

A senior US official stressed this week that US armed forces will not operate on Colombian, Bolivian or Peruvian soil, but will instead let the indigenous police and armed forces attempt "permanent disruption" of the supply chain. "We have listened very carefully ... and we agree. There's no plan to even suggest such a possibility," said the official.

The Bush Administration has only recently extricated itself from a substantial diplomatic hole it dug for itself in December, starting with the Panama invasion and a subsequent ill-judged leak about a possible naval blockade of Colombia. The two events created a furore when they ignited Latin American fears of a resurgence in US imperialism.

The naval blockade was more imagined than real. A Pentagon official used some loose language about a plan to send an aircraft carrier battle group to track narcotics traffickers flying out of Colombia.

In the US, the question remains whether the administration can tackle the pressing problem of domestic consumption. There are grounds for cautious optimism. This week, Dr Louis Sullivan, the Health Secretary, reported that annual use of illicit drugs by high-school seniors declined from 38.5 per cent of the total to 35.4 per cent in 1989. Use in the 30 days preceding the survey declined from 21.3 per cent in 1988 to 19.7 per cent in 1989.

The percentage of schoolchildren who have used cocaine once in their lifetime declined from 12.1 per cent to 10.3 per cent over the same period and the percentage in the last five years has fallen from 17.3 per cent to 10.3 per cent.

The trend looks promising, but it still does not address those segments of the population, notably blacks, who will continue to abuse drugs as upper-income earners turn to other sources of pleasure. Nor does it tackle the problem of a lack of reliable information on the numbers of addicts, the amount of drugs consumed, even the amount of seizures.

This lack of data may explain why Mr Bush intends to revive the idea of US ships being used to provide an offshore "radar net" to help Colombia interdict drug traffickers. It also accounts for the increased funds for intelligence-gathering in the US - an important part of this year's $10bn spending programme.

As Mr David Waddington, the British Home Secretary, discovered this week, the administration seems to be in a mood of guarded optimism. But one cloud on the horizon is heroin, from Burma, Laos and Afghanistan which sells at extremely low wholesale prices. As one narcotics official noted, it would be ironic if, at the time cocaine consumption may be peaking, heroin is about to make a comeback.

Medellin barons offer a way out

Attacks by the authorities may be paying off, writes Sarita Kendall

THE Cartagena summit is a sign that producing and consuming countries are taking the cocaine problem seriously. If governments could sustain the war for five or even 10 years, say the experts, they might stop cocaine trafficking altogether.

But such stamina seems unlikely: after a few months on the front line, more Colombians see dialogue with the Medellin cartel as an acceptable solution, and violence, rather than trafficking itself, as the main issue.

The power and flexibility of the gangs is so great that even huge captures of cocaine and constant raiding have apparently had little effect on supply or price in the US. Curiously, prices have even fallen in many parts of the Andes. This is probably because previous estimates of cocaine production were far too low, and the traffickers have been maintaining stockpiles to tide them through periods when shipping is especially risky.

Peru is the biggest producer of coca leaves and cocaine paste, followed by Bolivia. Most of the paste is exported to Colombia for processing into cocaine hydrochloride, the refined white powder. Although official US figures put cocaine production at about 400 tonnes a year, unofficial sources now say that the real volume may be somewhere between 600 and 800 tonnes.

Early in 1989 the Colombian authorities attacked laboratories, chemicals and operations centres. When Luis Carlos Galan, a presidential candidate, was killed last August the government re-established extradition and the drug barons themselves became the target. More than 1,500 properties were seized including many traffickers' strongholds, and over a dozen middle-ranking members of the cartels were sent to the US for trial.

This tactic, combined with persistent intelligence work, led special police units to Gonzalo Rodriguez, considered the most violent of the Medellin group. Some say he was betrayed by the rival Cali cartel, which abhorred his brutish methods.

As well as breaking parts of the traffickers' infrastructure and keeping them on the run, the authorities have also broken up dozens of armed groups and gangs of assassins. The

police offensive against the traffickers' production centres continues, sometimes with spectacular results. But Colombians are already hoping that the war would end. The Medellin cartel, led by Pablo Escobar and Jorge Ochoa, has bombarded the public with communiques offering surrender and promising to dismantle the cocaine business in exchange for special treatment. This would mean, at the very least, the end of extradition.

To continue the war and reach deeper into trafficking structures, the Andean governments will need greater public support. Helicopters, police training courses and drug education are necessary, but hundreds of thousands of South Americans depend on coca and cocaine for a living. About $3bn a year seeps back into the regional economy.

The real challenge is to replace the illegal income and its erosive effects on vulnerable democracies. Crop substitution programmes are notoriously slow and one suggestion is that cocaine consuming countries should not only finance substitution but also buy the produce of small agro-industrial ventures. Debt relief would be another way of rewarding anti-drug commitment.

Sharp end of the war on drugs: A Colombian policeman machine guns a cocaine laboratory and chemical dump

Saturated market may force the producers to move on

By Andy Marshall

THE COCAINE industry differs from most third world agroprocessing sectors in two crucial ways: it is illegal, and it is very sucessful.

The production, export and sale of cocaine is one of the world's largest industries. There are an estimated 5m to 10m US consumers of cocaine or crack, spending between $20bn to $25bn annually, the Panos Institute, an independent think-tank based in the US, estimates.

Were it not for the drug's effect on the consumer, coca would be lauded as the ideal export crop and cocaine production as the perfect agroprocessing industry.

Coca can be harvested three to five times a year, from a year after planting. It is highly labour-intensive, It survives for 15 to 20 years, maintaining good production levels on poor quality land. The effect of the drug's illegality, and of repeated efforts to interdict supply and destroy production, is to act as a price support mechanism, since it reduces oversupply. This has been at the root of calls for legalisation and decriminalisation of the trade.

Aside from its importance as a political, legal or social issue in producer, transit and consumer countries, cocaine production and processing is central to the economies of Colombia, Peru and Bolivia. Total US expenditure on the drug is equivalent to the combined GNPs of the three countries.

But as with many agroprocessing industries, the profits are made elsewhere. The bias of the industry, as with so many third world commodity-based sectors, is towards a concentration of value added in the retail and intermediary stages.

The Panos Institute says that at the beginning of the chain, a coca cultivator in the Bolivian Chapare may get $1.20 to $2.20 for a kilo of leaves. In Bogota, the price of a kilo of processed cocaine is $2,000; in Miami, it rises to about $10,000; in London, for the street user, it is from £50-£80 a gram.

Prices have fallen rapidly for the last five years as supply has increased and this has been one factor behind the cartels' creation of a new market for crack, a cocaine derivative.

The tightening of the net on cocaine intermediaries in Mexico, the Caribbean and the US, and the problems of the Medellin cartel in Colombia, might have been expected to produce a rise in prices, but in fact, the existence of a substantial market overhang – a large stock of processed and unprocessed cocaine in producer, consumer and transit countries – has led to a fall in wholesale prices, but not street ones.

The cocaine cartels have been under siege, at home and abroad, for the last year. But they will undoubtedly survive, channelling their efforts through new routes.

The looming questions for the drug barons are how far it can cope with the new legal and judicial pressures and whether the carefully created demand for crack is peaking, as statistics from the US suggest. Many of them have made a fortune in the 1980s: is it time to move on?

The development of crack boosted cocaine's status from a small-volume, high-margin operation, feeding on middle-class users, to a mass-market business with a large franchise throughout the US.

But the market in the US now seems saturated, with consumption peaking and pressures on market-entry growing as interdiction tightens. The cartels have targeted Europe and cocaine seizures rocketed last year.

The drug barons may also feel that now is the time to diversify. In Europe and the US, there has been an upsurge in the sales of manufactured drugs such as MDMA or ecstasy (a methamphetamine), Ice (a synthetic amphetamine) and others.

The Latin Americans have also increased exports of heroin and opium. It would be ironic if, by the time the US and its allies got a grip on production and sales of cocaine, it had been displaced by new synthetic wonders.

Holding the fort against cocaine traffickers

Sally Bowen visits a US-Peruvian initiative to help in the battle against drugs

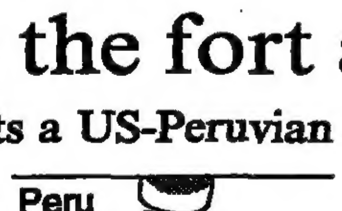
ALAN Garcia, Peru's President, will take a tough line at today's drug summit. He has been highly critical of the US policy, contrasting the aid on offer with the huge value of the drug trade itself.

He also rejects the emphasis on military and law enforcement strategies, preferring to stress development, aid and crop-substitution programmes. Mr Garcia almost did not attend at all; until a few weeks ago, he was still threatening to boycott it because of US actions in Panama.

Peru, as the largest exporter of cocaine, has borne the brunt of US efforts to contain the trade by military means. Last month, Mr Agustin Mantilla, Peru's Interior Minister, officially inaugurated Fort Santa Lucia, base of the Peruvian anti-drug police working with training and logistical support from the US Drug Enforcement Administration (DEA) and the Narcotics Assistance Unit.

The fort, in the terrorism-ridden Upper Huallaga valley 250 miles north-east of Lima and the heart of Peru's coca-growing and trafficking area, boasts a 6,000-foot runway, eight helicopter pads, and accommodation for about 250 men. This first of four stages, is costing the US about $3m.

The US presence at the Fort consists of a handful of NAU advisers from the State Department who are responsible for



security and co-ordination of air operations; a Snowcap team of DEA agents about 15-strong which accompanies interdiction operations and provides training and technical assistance; and up to 20 US pilots and mechanics.

In speeches to six ambassadors at the ceremony on Friday, Mr Mantilla and General Juan Zarate, the head of the Peruvian anti-drug police, emphasised the need for economic development in the zone as well as repression of the drugs trade. But "the first stage is the armed confrontation; economic, social and cultural development come second," said Mr Mantilla. A commemorative plaque at the fort states the two countries' commitment to these goals.

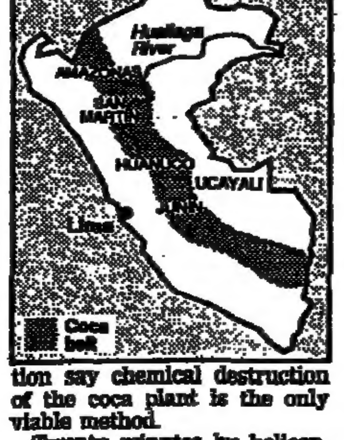
US drugs-related military assistance to Peru is budgeted at $35.4m this fiscal year – up from $2.9m in 1989 – while narcotics and law enforcement activities get a further $26m ($10.5m last year). Economic aid will be slower to arrive – Peru is to receive only $3.1m up to September this year.

But a substantial slice of President George Bush's projected $2bn over five years for the three main Andean countries should come Peru's way and economic assistance will not be linked to the achievement of specific eradication targets but rather to overall co-operation in the drugs fight, says the US embassy in Lima.

In Peru, some 200,000 hectares are under coca bushes, yielding 60 per cent of world coca leaf production, and pointing to a notional cocaine production of 370 tons annually. The Upper Huallaga valley alone accounts for 60 per cent of Peru's coca leaf, according to US officials. Although a heightened campaign last September against traffickers in Colombia depressed the Peruvian trade, drugs police said last week that new routes through Ecuadorean and Peruvian ports, avoiding Colombia, were already well established.

Within the Fort Santa Lucia jungle warfare training area, eradication workers and police show visitors what they call "Disney" – a mock-up of the coca process from seedbed through maceration of the leaf, refining and packing to storage. They have reconstructed a typical drug dealer's jungle house where eradication workers play the parts of traffickers, manning a short-wave radio and cooking traditional meals in the kitchen. Visitors are shown a patch of coca growing, and the difficulties involved in uprooting bushes.

Manual eradication made no significant impact against the rapid expansion of coca-growing and was suspended in February 1989, after attacks on US helicopters and the killing of more than 30 Peruvian workers. Now supporters of eradica-



tion say chemical destruction of the coca plant is the only viable method.

Twenty minutes by helicopter up the lush valley from Fort Santa Lucia is the NAU's eight-acre test site, sprayed with Spike (Tebuthinon) on March 17 last. Dead coca plants stick up, brittle and whitened, from among apparently healthy undergrowth and unaffected green plants.

A standard fixed-wing aircraft spread Spike, from a height of 100ft in pellet form to minimise drift, "in a matter of seconds", a US embassy official told ambassadors visiting the site on Friday. He estimates six aircraft could wipe out 125,000 acres of coca in six months.

Soil and water testing for residual chemicals will continue until March, but US officials are delighted with results so far. They argue that Spike is less environmentally damaging than herbicides commonly used by coca growers to avoid weeding.

But many ecologists, as well as peasant farmers in the Huallaga valley, are passionately opposed to Spike. Peruvian army and government officials fear that enforced chemical eradication would drive already disgruntled locals into the arms of the Shining Path Maoist guerrilla movement, which maintains a strong presence in the valley.

Three US Republican Congressmen present at the Fort's inauguration said their visit had helped them appreciate the complexities of the drugs battle in Peru. Mr Peter Smith, from Vermont, said "The war on drugs in the USA is a public relations war.

Here it's a real war, involving law enforcement, courage and risks. We're through the rhetorical stage. Now, frankly, we have to take action at home with mandatory prison sentences for drugs offences, the death penalty for traffickers. It will be a tough political message to sell in the USA".

Bolivia's withdrawal pain

John Barham looks at the blessings of falling coca prices in one of the region's poorest countries

SUDDENLY the ground has given way beneath Bolivia's cocaine economy. The price for coca leaves, a raw material for cocaine, has collapsed, threatening the country's recovery from hyper-inflation in 1985.

Bolivian peasant farmers produce one third of the world's coca leaves. Figures from the United States Drug Enforcement Agency (DEA) show that Bolivian coca prices fell to a record low in January. Prices are now 90 per cent lower than the year earlier.

American officials are cock-a-hoop. They say sliding prices have already led to a major increase in eradication of coca bushes and their substitution by legal cash crops.

Yet despite their excitement most Americans in Bolivia admit that the dwindling coca price is due almost entirely to a massive drop in demand from Colombia cocaine cartels. A US official who requested anonymity, said: "Colombia is the central question. Everything depends on Colombia."

Washington is the driving force behind Bolivia's anti-drug policies.

However, there can be little doubt that if prices remain depressed, the economic impact on Bolivia will be severe.

The Chapare Valley in central Bolivia produces most of the country's coca. Some 30,000-40,000 families eke out a desperately poor existence in jungle valleys below the massive Andean foothills.

Mr Domingo Velasco and his family of four tend a three hectare coca patch. He said: "In the good years you could get $2,500 per hectare. Now we are only getting $10. Everything has become expensive."

The narcotics trade provide 20-25 per cent of Bolivia's jobs. It generates about 60 per cent of export revenues.

In 1989 it pumped about $600m into the economy, a cash injection equivalent to 12 per cent of Gross Domestic Product.

At this week's Cartagena drug summit, the coca producing countries will press the United States to ease the pain of transition to a non-cocaine economy by providing greater financial support for alternative development.

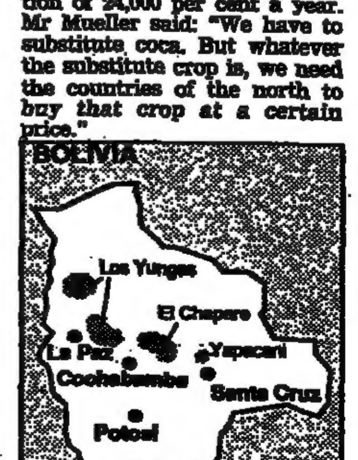
President Jaime Paz Zamora of Bolivia is to request a $600m aid package. In 1989 the total US assistance to Bolivia was $64m.

Most of American aid is aimed directly or indirectly at the narcotics industry, which Washington sees as the most serious threat to Bolivia's stability.

A senior US diplomat said: "The Bolivians say their objective is development first, but they do not realise what kind of a threat cocaine has become. We are committed to supporting democracy, supporting the economy and combating the drug trade. If one of these elements fails, so will the other two, but cocaine is the greatest threat by far."

However, Mr Herbert Mueller, a former central bank governor and now a leading economic consultant said: "Cocaine used to provide a cushion for our economy. But the cushion is disappearing."

He pointed out that the underground cocaine-based economy absorbed the shock of drastic economic stabilisation policies in 1985, when the previous government halted inflation of 24,000 per cent a year. Mr Mueller said: "We have to substitute coca. But whatever the substitute crop is, we need the countries of the north to buy that crop at a certain price."



Disbursement of a large part of funds from the US Agency for International Development (USAID) is conditional on Bolivia meeting coca eradication targets. The nature of further assistance will be a focal issue at Cartagena.

For all the expense and effort, the effects of US policy had been disappointing.

In 1989, the coca acreage actually increased by 10 per cent. The Colombian government's war against its drug traffickers has achieved more in six months than American policies in Bolivia have in eight years.

Although the Americans are overjoyed at the unexpectedly severe drop in coca prices, few are complacent. A DEA field officer said: "Even though prices are low and people can't afford to buy meat and eggs and so forth, nobody in central Chapare is reducing output much because they expect prices to increase late." Seasonal factors tend to depress prices in the early part of the year and raise them in July and August.

US-Bolivian policy is to avoid harassing farmers in the Chapare and provide cash grants, credits and development projects to those who opt to grow "legal" crops. The joint DEA and Bolivian paramilitary forces concentrate on arresting traffickers and destroying their laboratories.

But the Bolivian bureaucracy delays payments to farmers. And the Leopards, as the Bolivian paramilitary unit is known, are widely feared and disliked.

Many of Bolivia's 30-odd gangs of traffickers have vertically integrated their operations, often with Colombian financial and technical backing. The US Embassy in La Paz has reported an increasing Colombian presence in the dense jungles of northern Bolivia.

Bolivia's comparatively primitive laboratories have more than doubled their productivity with Colombian support. Yet the US is confident that the Colombians will avoid moving all their operations out of Colombia.

Despite a rising number of arrests, a good part of Bolivia's cocaine establishment is still in place.

The popular press often report sightings of fugitive narco-plutocrats. More than a few of the conservative political elite that profited from drug trafficking under the military dictatorship of the 1970s have successfully laundered their drug fortunes.

Reverting to a comparatively sluggish conventional economy will take time and money. None of the coca barons are likely to invest their cash hoards in Bolivian industry.

A number of thoughtful Bolivians fear that without generous outside help to smooth the way to a non-cocaine economy, an alliance of populist leaders and drug money will exploit the difficulties of transition, and undo the country's remarkable political and economic stability.

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Ottawa agreements show decline in Soviet power

By Peter Riddell, US Editor, in Ottawa

THE AGREEMENTS reached in Ottawa this week on the international handling of German reunification and on cuts in US and Soviet troops in Europe highlight the weakening of Moscow's position and the increasing independence of its Warsaw Pact partners.

The Soviet leadership made a number of concessions in accepting US proposals.

For instance, in agreeing to President George Bush's revised plan to limit the number of US and Soviet troops in central Europe to 195,000 each, the Soviets not only abandoned their own counter-offer of last Friday but also accepted the principle of asymmetry, dropping their previous insistence on parity in arms control. This is because the US, though not the Soviet Union, will be allowed to keep 30,000 troops elsewhere in Europe.

The sole US concession is that Washington has agreed to make the 30,000 limit legally binding, and separate from the central zone ceiling, rather than just a unilateral pledge.

Moreover, the Soviet Union has, for the first time, formally accepted German reunification without question by supporting the "two plus four" formula for talks between the two German states and the four wartime victors (the Soviet Union, the US, Britain and France) for discussing "the external aspects of the establishment of German unity."

Several major issues still have to be resolved, notably the relations between a united Germany and Nato, the stationing of foreign troops and the siting of nuclear weapons. There are no limits on non-US (French, Canadian or British) troops in Central Europe.

But, in backing "two plus four" the Soviet Union has accepted that, with the rapid disintegration of East Germany, it cannot stand in the way of reunification and instead should attempt with the West to establish satisfactory security arrangements.

There are increasing cracks in the Warsaw Pact. Poland, Hungary and Czechoslovakia all disagree with the Soviet position that a unified Germany should be neutral rather than a Nato member.

Mr Krzysztof Skubiscewski, the Polish Foreign Minister, talked yesterday of a "quid pro quo" taking account both of US and Soviet interests whereby a united Germany could be a Nato member but there would be no movement of troops into the present East Germany where Soviet forces would remain for some time.

He said he was satisfied by recent assurances by the West Germah Foreign Minister (though not all West German politicians) about respecting the current Polish-German border. He would therefore want a statement by the German authorities and by the four powers about the frontier.

Pressure from Hungary and Czechoslovakia for a total withdrawal of Soviet troops, and from Poland for a substantial reduction of them, obviously encouraged Moscow to accept the US troop proposals.

While Britain and France, unlike the Democratic leadership in the US Congress, regard the new figure as a floor, no-one believes the Soviet Union will be able to maintain anything like 195,000 troops in Eastern Europe (down from 560,000 now).

Participants said the Soviet delegates looked unhappy over the concessions. There is a clear danger of triumphalism on the western side, especially following last week's Moscow talks when the Soviet Union moved towards the US position in the negotiations over reducing strategic nuclear weapons, especially over Cruise missiles.

While last week's Moscow and Ottawa talks have cleared the way for treaties this year on conventional forces in Europe, chemical weapons and strategic weapons, there are still a number of problems. In particular the two sides remain some way apart on conventional forces.

Nevertheless, despite these considerable difficulties, both the Soviet and US sides are keen to nail down earlier agreements, for varying domestic political reasons.

The ostensible reason for the Ottawa meeting of 23 Nato and Warsaw Pact foreign ministers was to discuss the Open Skies initiative for allowing mutual aerial surveillance. Everyone accepts this is a good idea in principle though there are big differences in implementation.

Argentine minister to run state entities

By Gary Mead in Buenos Aires

MR ANTONIO ERMAN Gonzalez, Argentina's economy minister, is to take control of the financial running of state-owned companies, previously handled by the Ministry of Public Works. The move is an attempt to bring the companies into line with plans to reduce Treasury support, after estimated losses of $5.5bn in 1989.

Mr Gonzalez announced the changes during a television chat show late on Tuesday evening. The move did not imply poor administration by Mr Jose Roberto Dromi, Minister of Public Works, he said, but that current administration of the companies' expenditure acts "as if [the companies] were outside the country, without taking into account the needs of the Treasury."

Estimates suggest that, despite President Carlos Menem's promise when he took office last July that Treasury support for the public sector would stop, 50bn australs ($16.6m at current exchange rates) of government funds was used to bale out nationalised companies in January this year. The most heavily supported company, Ferrocarriles Argentinos, the state-owned railways corporation, is thought to have required $10m.

Such heavy subsidies have given rise to Argentina's fiscal deficit problems and ultimately its hyperinflationary bursts. But while Mr Gonzalez is trying to force through cuts to the government's public sector bills, political pressure from within Peronist movement, is pulling in the opposite direction.

Brazilian import rules likely to be eased

By Ivo Dawnay in Rio de Janeiro

BRAZIL looks certain to soften its tough rules on importing car components and other high-technology products to attract manufacturers to set up car plants in the country.

Mr Fernando Collor de Mello, president-elect, yesterday gave a clear hint that he wishes to see a modernisation of the Brazilian motor industry.

Asked whether his government would relax the policy of "reserved markets" for specific sectors such as computers, Mr Collor raised the issue of the car industry.

He repeated his claim made last week in West Germany that Brazilian-made cars were mere "carts" compared to what was available on the world market. Only by allowing in high-technology components could the country compete, he said. "I am against any system of reserved markets," he said. "They preserve inefficiency and hide incompetence."

The president-elect, who takes office on March 15, partially absolved the local industry – comprising Volkswagen, Ford, GM and Fiat – from complete blame for outdated products.

"It is not just the fault of the manufacturers, it is also due to the rules imposed on them," he said.

Mr Collor's spontaneous reference to the industry will be closely examined by local producers following mounting speculation that he is actively trying to attract a Japanese car maker to the country. On his visit to Tokyo last month, he was closely questioned by Nissan on his plans for the industry and is said to have held confidential talks with Honda.

Last year, the Brazilian industry produced some 750,000 units, but saw overseas sales drop substantially due, they claim, to a 30 per cent overvaluation of the cruzado's exchange rate.

● Mr Antonio Rogerio Magri, president of the right-wing General Labour Confederation, has been appointed Labour and Social Security Minister in the incoming government.

Pay pitches baseball into chaos

Roderick Oram looks at a row that could delay the season's start

FOR only the third time in a century, baseball club owners have locked out players in an arcane fight over pay practices which threatens to delay the start of the season for weeks.

The players for once cannot be accused of grabbing for more riches and would be quite happy with the status quo. The fans, deeply confused by the dispute, are getting very angry with owners for denying them baseball.

"If ain't broke, don't fix it," is the attitude of players and fans, since baseball never had it so good.

During the 1980s, nationwide attendance almost doubled, all but a handful of the 26 major league teams are profitable, industry revenues have jumped to around $1.6bn last season and players average salaries have soared like a fly ball from $143,756 a year to $490,000.

Against such a healthy backdrop, the owners are finding it difficult to articulate their problem and proposed solution. They are trying to say that granting of free agent status to players earlier in the 1980s is wreaking havoc with labour costs and severely disadvantaging smaller and poorer teams.

In the bad old days of labour contracts, teams virtually owned players. But now players with more than six years major league experience are free to negotiate the best deal they can with any team, subject to some complex regulations.

As a result about 50 players are likely to earn more than $2m each this season, against only 19 last. Will Clark, a San Francisco Giants first baseman, signed in January a record $15m, four-year contract.

The owners would like to say that free agency was crippling them. But in fact revenues have risen faster than salaries. They have colluded over the years to subvert free agency and now face court imposed damages that could rise to around $100m.

Instead, the owners say the system makes the rich teams stronger and the poor weaker. The top five teams such as the New York Yankees and the Kansas City Royals had an average payroll of $16.5m last season.

The bottom five such as the Cleveland Indians and the Seattle Mariners, paid only $8.5m. Since talent can be bought, poor teams have performed poorly.

The owners also say a new pay system will help them forecast their costs better. But deep down, critics charge, the owners are secretly trying to regain financial control over the players.

The clubs are proposing to pay players with up to six years experience from a national pool funded by 48 per cent of their revenues from tickets and broadcast rights. These two sources make up 82 per cent of their total revenues. Each player would be paid according to his performance statistics.

But even in a nation obsessed with the most trivial of sports data, the notion that a ball player's athletic prowess, art and entertainment can be reduced to numbers and dollar signs troubles many fans.

But this way, the owners argue, poor teams will be able to afford the same young talent as rich. The owners are also want to sneak in some curbs on free agency status.

The players are proposing instead a new contract on conventional lines but with an increase in starting pay from $68,000 to between $100,000 and $125,000 and an increase in the minimum team roster from 24 players to 25.

Fans might be able to forego the pleasures of the spring season games but if it looks as though the April 2 start of the season proper will be jeopardised, the owners will start hearing a lot of choice epithets from the fans who have made them very wealthy.

Reluctant US adjusts to likely Ortega win

By Lionel Barber in Washington

The US has begun to adjust to the possibility of a victory by President Daniel Ortega, the Sandinista leader, in Nicaragua's forthcoming election.

US officials insist Mrs Violetta Chamorro, the opposition candidate, still has a good chance of winning the election. But even the most partisan observers admit Mr Ortega's campaign is better financed and better organised, thanks to the left-wing Sandinista party's control of the state machinery.

The prospect of a victory by President Ortega – once likened by President Bush to a "skunk at the picnic" – is repellent to the US. But Mr Bush, in contrast to the Reagan administration in 1984, encouraged the opposition to contest the elections.

Under congressional pressure, it also agreed to cut off military aid to the Contra resistance to support national reconciliation, thereby foreclosing Mr Reagan's option of toppling the Sandinista regime by force.

US officials said this week that while electoral intimidation is still a problem, the level of political violence has "diminished substantially".

Daniel Ortega; ahead

President Bush; encouraged

Polls by two Nicaraguan groups with ties to the Ortega government show the Sandinistas with a 14 point lead, while a polling company hired by the National Opposition Union finds Mrs Chamorro with a six point lead.

A US company called Bendixen and Schroth shows Mr Ortega ahead by 53 per cent to 35 per cent, with 8 per cent undecided.

One important caveat is that polls are forced to rely on the country's last census - in 1970 - which was taken before the large-scale emigrations which followed the Sandinista revolution in 1979.

This week, the administration began to sketch its view of a world with Mr Ortega back in power. A senior US official made clear that the February 25 election, while a "critical step", was only part of a wider process of reconciliation inside Nicaragua and Central America – as set out in the Esquipulas regional accords.

Thus, the US expected all Nicaraguans (including US-backed Contras forces) to be integrated into a democratic system, and it wanted to see the Sandinistas end their support for guerrilla movements in neighbouring countries, notably El Salvador. This message was conveyed to the Soviet Union during high-level talks in Moscow last week.

The senior US official also made clear the US would not commit itself to accepting the verdict by independent observers such as the Organisation of American States, the United Nations and former President Jimmy Carter on whether the election was free. This is partly due to the Sandinista's refusal to allow a presidential election observer team into Nicaragua.

WORLD TRADE NEWS

BRUSSELS CONCEDES WIDER ROLE FOR GATT

EC gives way on rules of origin

By William Dullforce in Geneva

THE European Community in a significant shift of policy has agreed that general principles governing rules of origin should be laid down in the Uruguay Round multilateral trade talks taking place under the General Agreement on Tariffs and Trade.

Charged by Japan, the US and Hong Kong with using rules of origin as an instrument of trade policy to protect domestic industries, the EC had argued the matter was purely technical and should be handled by the Brussels-based Customs Cooperation Council (CCC) – not within Gatt. Japan, which claims the Community has misapplied rules of origin in taking anti-dumping action against imports of Japanese electronic products, has been particularly keen to have the issue dealt with in the Uruguay Round.

Rules of origin are used to determine where traded goods come from and are especially relevant, when exporters try to circumvent anti-dumping charges levied on them by delivering from a third country or by assembling in the importing country. Gatt does not regulate rules of origin, governments have had a free hand and the result has been a complexity of practices, creating confusion for traders. The EC claims that the US applies 19 different rules of origin.

Yesterday the EC conceded that trading nations should commit themselves to respecting eight principles for rules of origin within the Gatt framework. They should be non-discriminatory, neutral, transparent, predictable and consistent.

All interpretations of the rules should be challengeable before a judicial authority in the importing country; they should be applied equally for all trade purposes, whether anti-dumping action, public procurement or statistics; and conflicts over the principles should be put to Gatt's dispute settlement mechanism.

But, the EC insisted, the US and other countries, which had not already fully adopted the annexe on origin rules in the CCC's Kyoto Convention, should do so and further discussion on harmonising or technically improving the rules should take place in the CCC. The convention lays down a "last substantial transformation" criterion in determining the origin of a product.

In addition, the EC wants the rules it uses under preferential trade agreements, such as that for the African, Caribbean and Pacific countries under the Lomé convention, to be left out of the Gatt talks.

● The Uruguay Round cleared an additional hurdle yesterday with an agreement on a time schedule for the negotiations on the elimination of customs duties on tropical products. Agreement was also expected today on reductions in non-tariff barriers to trade.

For tropical products, of paramount interest to developing countries, governments have to table by March 15 offers for abolishing or substantially cutting trade barriers. Compilation of the final package of concessions will start in April.

March 15 was set informally - subject to agreement today - as the date for the tabling of requests that governments lift specific non-tariff measures against imports.

With the January 30 compromise over how to negotiate cuts in import tariffs these two understandings would give the Round firm schedules for negotiating substantial increases in market access for traded goods.

THE European Community has taken no position on the translation of Gatt into a fully-fledged International Trade Organisation at the end of the current Uruguay Round and there has been no such proposal from Italy, EC officials said in Geneva yesterday, William Dullforce writes.

In Rome on Tuesday Mr Renato Ruggiero, Foreign Trade Minister, said it was time to revive the idea of an ITO, scuppered by the US Congress in 1947. Mr Ruggiero said establishment of the ITO could de-dramatise possible failure in the Uruguay Round.

EC officials said the Commission had been considering how agreements on trade in services and intellectual property rights – matters not within Gatt's purview so far – could be integrated into a coherent multilateral trading system. Some kind of umbrella organisation could be envisaged but no common Community view had been elaborated.

Mr David Woods, Gatt's spokesman, said while the ITO idea was very interesting, the emphasis in the Round was on establishing credible new trade rules. Businessmen, seeking a more efficient trading environment, would not be particularly interested in whether it was achieved under Gatt or an ITO. But, he added, the group dealing with the functioning of the Gatt system in the Round had been mandated by trade ministers to consider Gatt's future status.

Uncertain future for Israeli trade policy

By Hugh Carnegy in Jerusalem

THE resignation this week of Mr Ariel Sharon, Israel's strongly protectionist Trade and Industry Minister, has focused attention on Israel's future trade policy.

His resignation dismayed Israeli industrialists and unions who saw him as a strong defender of their interests.

But his performance evoked less enthusiasm from importers, US and European Community trade officers and Finance Ministry and Bank of Israel officials anxious to promote less interventionist trade and industrial policies, especially in advance of the 1992 internal market reforms in the EC, Israel's main trading partner.

"Under his guidance, the ministry has been predominantly pre-occupied with protecting Israeli industry at a very high cost to the Israeli economy and to industry itself in the long run," said one senior businessman yesterday. "In view of Eastern Europe opening up and 1992, (Mr Sharon's departure) may be a very timely opportunity for Israel to change things."

Although Israel has free trade agreements with the EC and the US, Mr Sharon's readiness to use various levies and non-tariff barriers such as tough labelling and standard requirements for imports has drawn frequent complaints from Washington and Brussels.

But Mr Sharon's defenders, including the Manufacturer's Association, argue that Israeli non-tariff barriers are no worse than in other countries, including the US and the EC. They also point to the large EC trade surplus with Israel.

High tech chief calls for international collaboration

By Louise Kehoe in San francisco

THE HIGH technology industries of the US, Europe and Japan must form multinational collaborative research consortia to solve technology challenges, rather than limit co-operative efforts to national or regional groups, a prominent Silicon Valley electronics industry executive has proposed.

"Without co-operation, we could see a world where technological nationalism and protectionism choke the flow of progress and opportunity for all nations," warned Mr James C. Morgan, a member of President Bush's National Advisory Committee on Semiconductors (Nacs) and chairman and chief executive of Applied Materials, the leading US manufacturer of semiconductor production equipment.

He launched his ideas at his company's annual shareholder's meeting in Silicon Valley this week.

Mr Morgan's controversial stand in favour of US industry co-operation with Japanese government-sponsored research projects, as well as those in Europe, is likely to place him at odds with other US electronics industry leaders and members of Nacs.

As a staunch Republican, Mr Morgan is likely to receive a sympathetic hearing from the Bush Administration, which has recently been embarrassed by criticism from other electronics industry executives for its lack of leadership in efforts to maintain US competitiveness in high technology.

Mr Morgan's views also won the guarded approval of Mr Cees Krijgsam, the chairman of the Joint European Submicron Silicon Initiative (Jessi), who attended the Applied Materials meeting as a member of the company's board of directors.

International co-operation in high technology research "has become an imperative" said Mr Krijgsam. "What is very important is not which countries are co-operating, but whether there is true reciprocity," he explained. "If one party loses then co-operation is a failure."

International co-operation will happen in electronics whether or not it is encouraged by politicians or industry leaders, suggested Mr Krijgsam. "The issue is finding ways to cope with it."

Mr Morgan envisages "international teams, working jointly together in the pre-competitive stages of research and development of a new technology." Such co-operation would eliminate duplication of effort and reduce risk, he suggests.

Individual companies have already established international co-operative ventures, Mr Morgan noted, citing the recent agreement between IBM and Siemens to develop advanced memory chips, and a similar pact between Texas Instruments and Hitachi.

E Europe to double telecom spending

By Hugo Dixon

SPENDING on telecommunications equipment in Eastern Europe is expected to double between now and the end of the century, according to a study published this week by the UK-based Telecommunications Research Centre (TRC).

This explosion in demand, spurred on by political reforms, will make Eastern Europe the most important growth market for telecommunications equipment this decade.

Total worldwide spending on telecommunications equipment will increase by 65 per cent, from \$122bn to \$200bn, between 1990 and the year 2000, says the TRC. This rate of growth, which is slower than that experienced in the past decade, largely reflects the fact that most developed countries are well into their network modernisation programmes.

By contrast, spending in Eastern Europe, including the Soviet Union, is forecast to double over the next decade to \$32bn as the new governments seek to catch up on decades of underinvestment. The penetration of telephones in Eastern Europe is about a quarter of what it is in the West.

In 1988, the USSR had 35m telephone lines, equivalent to 12 lines for every hundred people; Poland had 2.8m lines (a 7 per cent penetration); Romania had 2.3m (10 per cent); Bulgaria had 2.1m (23 per cent); Czechoslovakia had 2.0m (13 per cent); and East Germany had 1.7m lines (10 per cent).

At the same time, the US had 125m lines, equivalent to 51 for every 100 people; West Germany had 27.7m a penetration rate of 45 per cent; and Sweden had 5.5m (65 per cent).

Telecommunications Equipment World Market Perspective 1990-2005, Telecommunications Research Centre, 4/5 The Square, Barnham, Bognor Regis, West Sussex, PO22 OHB, UK. £895.

Unhappy interface for computer industry rivals

Lucy Kellaway unravels a row over copyright

NOBODY can remember when a Brussels directive ruffled so many feathers. Even a 1979 measure protecting wild birds, which caused near hysteria among French nature lovers, was uncontentious compared to a draft proposal on copyright protection for computer software.

The directive has divided the computer industry. One side says that if it goes through it will be tantamount to handing the whole European computer industry to the likes of IBM and DEC. The other side says that if the directive is blocked, the industry will be wide open to pirates of all nationalities, Japanese ones in particular.

The measure is a part of the single market in computer services, and sets out to establish a single rule for protecting European software. The principle is uncontroversial: everyone agrees that computer programs should be subject to copyright laws – indeed such measures already exist in the UK, West Germany, France and Spain as well as in the US and Japan.

The row is over the balance to be struck between competition and protection. It has been sparked by two provisions in the directive: one would make the "interface" – ie the part of the program that allows two different bits of computer hardware or software to talk to each other – subject to copyright law. The other would make it illegal to take to pieces (or "reverse engineer") a program.

There is a great deal to be gained or lost by each side. The market for interoperable *computer systems (ie those* that are made up with parts made by different manufacturers) in Europe is growing at about 50 per cent a year, rapidly gaining market share from the proprietary systems, dominated by IBM. At the moment the role of small and medium sized European companies is fairly strong in this market: the danger is that a more restricted market place would give power to those with the most money.

The general principle underlying copyright law is that an idea expressed in a program does not belong to anyone and should not therefore be protected; it is only the expression of that idea that should be subject to copyright. The problem seems to be that an interface involves a bit of both, so there is room for disagreement on whether it should be protected, and on whether reverse engineering should be allowed to get at it.

> When it was discussed by industry ministers many seemed not to understand the brief — so resolution may be some way off.

On one side is the European Committee for Interoperable Systems (Ecis), which has lined up behind it such companies as Amstrad, Apricot, Olivetti and a European subsidiary of Fujitsu, the Japanese computer group. It argues that an interface is an idea, and predicts dire competitive implications if it is granted copyright protection. It argues that in explicitly banning reverse engineering, the directive is preventing the industry from a legitimate way of understanding how the interface works. Unless companies reverse engineer, control will always rest with the company that built the interface.

The other side is the Software Action Group for Europe (Sage), which includes IBM, *Apple, DEC and Siemens. Sage* argues that the ideas inherent in interfaces are available anyway as part of common industrial practice. In the case of personal computers, it says, they can usually be got at simply by reading the manual (a claim hotly disputed by the other side). Moreover, if any company was restricting access to its information, Sage notes that the Commission could intervene under Article 86 of the Treaty of Rome.

It says that to allow reverse engineering would simply be an invitation to the pirates. Moreover, the kind of reverse engineering techniques that would allow one company to examine another's work are very expensive, and were it allowed, it would therefore make it easier for large companies to reverse engineer a small company's product, rather than vice-versa.

To make matters more complicated, both sides have drawn on the complexity of copyright law to claim that copyright protection in the US supports their case. The US does not permit reverse engineering unless it is for a "fair use", and even though this has never actually been put to the test in court, a recent opinion from the US Government suggests that a defendant using this for copying an interface would get a particularly sympathetic hearing.

Within the commission the issue has got bogged down under a weight of propaganda from both sides. The European Parliament, which had previously been sympathetic to Ecis, is now having second thoughts and is waiting for clarification from the Commission, which is expected shortly.

Meanwhile the position of member states is also confused. The issue divides more along industry than political lines, and most member states do not know which way to turn. When it was discussed briefly by industry ministers in December, many seemed not to understand the brief – so resolution may be some way off.

UK NEWS

Expected rise in mortgage rates likely to hit inflation

By David Barchard, Peter Norman and Andrew Taylor

HOME BUYERS in the UK face a new round of mortgage interest rate increases after Abbey National, the second largest mortgage lender, yesterday raised its main lending rate by 0.9 percentage points.

The increase, which surprised other lenders by its size and timing, will boost the annual rate of UK inflation while adding to distress among borrowers and dealing a further blow to an already sick British housing market.

If other lenders match Abbey National's mortgage increases, Britain's annual inflation rate will rise by around 0.5 percentage points.

City analysts estimate that inflation, which was 7.7 per cent in December, could be back around 8 per cent in April as higher mortgage rates and the effects of the community charge or poll tax feed through into the retail prices index.

Abbey National's basic mortgage interest rate rises to 15.4 per cent from 14.5 per cent with effect from today for new borrowers. Existing borrowers will pay more from March 1 when rates for savers will also increase by around 0.75 percentage points.

Mr John Bayliss, Abbey National's Managing Director, said rates to borrowers had been kept down as long as possible after last October's one point increase in bank base rates to 15 per cent. Mr Bayliss said: "The interests of our 8m savers cannot be ignored, therefore a mortgage rate rise is now unavoidable."

Halifax and Nationwide Anglia, the two largest home loans and savings groups, indicated they will follow Abbey National and put up mortgage rates soon. Their rates are likely to rise from March 1, though the two societies may try to hold their lending rates below Abbey National.

The clearing banks would then be under strong pressure to raise mortgage rates. Yesterday the banks said that they were reviewing the situation.

A further round of increases would take building society interest rates to their highest level since October 1981, putting strain on borrowers.

The Council of Mortgage Lenders yesterday reported a rise in arrears and repossessions in the second half of last year. More than 58,000 borrowers, out of a total of 7.95m building society mortgages, were more than six months in arrears at the end of 1989.

Neither the Treasury nor the Bank of England appeared disturbed by yesterday's news.

Officials said higher mortgage rates became likely once it was clear that there would be no early reduction in base rates. Mortgage rates had been low relative to base rates, while data suggested consumer demand was not as depressed as had been thought, they said.

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Hurd defends sanctions policy

By Ivor Owen, Parliamentary Correspondent

Mr Douglas Hurd, the Foreign Secretary, told the House of Commons last night he would consult Britain's EC partners in Dublin on Tuesday about the Government's intention to stop advising UK companies not to undertake new investment in South Africa.

He insisted, however, "the logic of the voluntary ban on investment has run out".

Mrs Margaret Thatcher, the Prime Minister, was a notable *absentee from the Government* front bench when Mr Gerald Kaufman, the shadow foreign secretary, renewed Labour's attack on her refusal to keep in step with the United Nations, the US and EC over the relaxation of sanctions.

Mr Hurd endorsed the Prime Minister's view that the initial moves towards changing South Africa's apartheid system justified a positive response, but ran into difficulties over the implications for earlier UK undertakings to the EC.

He said the Government would not be instructing British companies to re-invest in *South Africa. It would be a* matter for their judgement on "straightforward commercial grounds".

Mr Hurd stressed that British companies would be looking to South Africa's prospects as a stable and prosperous country, and argued that they would be improved if President de Klerk were given an incentive to continue his policies.

Mr Kaufman, who described Mrs Thatcher as the "world's best friend of apartheid", pressed Mr Hurd to say whether, in unilaterally with*drawing the advice to British* companies not to invest in South Africa, the Government would be in breach of undertakings given to the EC.

Oil giants cleared of price-fixing

By David Thomas, Maurice Samuelson and Ralph Atkins

CLAIMS that the big oil companies collude to keep the price of petrol artificially high were rejected yesterday by the Monopolies and Mergers Commission after a year-long investigation.

The commission's 470-page report rejected allegations that oil companies made monopoly profits from petrol wholesaling, or from their other downstream businesses.

In one of the most comprehensive vindications of an industry it has published, the commission found that UK pump prices are mainly determined by international oil prices and that oil companies do not implement petrol price rises more quickly than price falls.

The commission made no recommendations for structural changes in the retailing of petrol - one of the most politically sensitive of the oil companies' activities - which accounts for 3 per cent of UK consumer expenditure.

The only action proposed by the commission was for a regular annual review by the Office of Fair Trading (OFT) of pressures which might lead to reduced competition in the industry.

The oil companies, which had feared that they might be forced to alter fundamentally their price support and licensing arrangements with petrol stations, warmly welcomed the commission's findings. They agreed that they needed to explain their business more effectively.

By contrast, the Petrol Retailers' Association, which represents independent dealers and which spearheaded the criticism of the oil companies, expressed surprise and disappointment that no changes were to be made in such a large industry.

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Patten: in "minority of one"

Commission fails to agree on UK sea dumping

By John Hunt, Environment Correspondent

OFFICIALS from the 13 countries on the Oslo Commission, meeting in London yesterday, failed to reach agreement over demands that Britain should cease dumping *industrial waste in the North* Sea.

The commission implements the North Sea Conference agreement to ban dumping. The complaints came from Germany, Sweden, Denmark, the *Netherlands* and Norway.

As a result, Britain will continue to renew dumping licences for the time being although it is committed to phasing them out as soon as possible.

Mr Chris Patten, the Environment Secretary, is likely to come in for criticism when he defends Britain's position at the third North Sea Conference in The Hague in March.

Mr Paul Horsman, Greenpeace campaigner, said last night, "Britain was in a minority of one at the meeting."

A spokesman for the Department of the Environment said, "We have reduced dumping by 50 per cent since 1980. We expect to terminate most licences within two years."

Under the North Sea Conference agreement, all signatories were committed to end dumping at the beginning of this year. *They could only continue* if there were no practical alternatives on land and the materials posed no risk to the marine environment.

Britain, currently the only member country to continue dumping in the North Sea, claims that the activities of UK companies fall within this definition.

The complaints at yesterday's meeting of the commission concerned three licences which will permit 51,000 tonnes of waste to be dumped.

Judge orders fresh start in Guinness case

By Raymond Hughes, Law Courts Correspondent

THE Guinness trial came to a sudden halt yesterday morning after a juror asked to be excused on health grounds and the entire jury was discharged.

Selection of a new jury at Southwark crown court, London, will be completed on Friday and the trial, which is expected to last until late July, will start afresh.

It was the second false start to the case in which Mr Ernest Saunders, the former chairman and chief executive of Guinness, and three other City figures have pleaded not guilty to criminal charges arising from the 1986 takeover battle for the Distillers drinks group.

The jury was selected on Monday and the prosecution had been due to make its opening statement the next morning.

On Tuesday, however, two jurors were excused – one because of an intermittent medical problem, the other for work reasons.

Replacements were sworn in, the indictment was read out for the second time and Mr John Chadwick, QC, spent two hours outlining the prosecution case.

Yesterday, when the third juror asked to be excused because she suffered regular attacks of migraine, the trial judge, Mr Justice Henry, decided after discussions with the prosecution and defence lawyers that the trial should be restarted with a completely new jury.

It would, he said, be wrong to go on with a trial of such length and complexity with only 11 jurors and, "as the defendants unanimously, and for proper, understandable and non-tactical reasons, wish the whole selection process to be done again, that must be the right course."

Yesterday afternoon the judge stressed to the 80 or so jurors-in-waiting, from whom the new jury will selected, the importance of being sure that they could attend court daily for up to six months.

Mr Saunders' co-accused are Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier.

The charges on the 24-count indictment relate to an alleged unlawful share support operation mounted by Guinness during its bitterly fought takeover battle with Argyll for the Distillers group.

Lengthy trials expose difficulties in finding 12 "good men and true"

Raymond Hughes on problems with juries and lessons from the US

THE aborting of the first Guinness trial on its third day because of the need to discharge a juror for health reasons is likely to revive the debate about the use of juries in fraud trials.

The emphasis, however, will not be, as it *has been in the past, on the ability of 12* men and women randomly selected to cope with the minutiae of a complex fraud but on the impossibility of guaranteeing that, in the course of a long trial, the jury will not be reduced below the legally permitted lowest limit of nine by reason of death or illness.

The argument in favour of substituting for trial by jury, trial by judge alone or by a tribunal consisting of a judge and two lay members will be seen as having been strengthened simply because, statistically, the fewer people involved the longer the odds against one falling by the wayside.

(The case in March, 1988, when a trial had to be stopped after the judge, one of the defendants, two witnesses, a barrister and a juror all died, can be regarded as an aberration).

Another solution which might now be considered would be to adopt the US system of standby jurors, of whom anything between two and six are sworn in and sit in on the trial ready to step into the jury box when needed.

The use of a replacement is at the dis*cretion of the judge, who can either* adjourn the hearing if a juror's indisposition is going to be brief, or bring in a standby.

In the US the jury system is constitutionally-based. Juries are used even in the most sophisticated corporate criminal cases and there is no move to change that.

The very complexity of fraud trials means that they are likely to last considerably longer than other criminal cases. Whereas a fraud trial is usually measured in months, the average length of the 106,000 cases sent to Crown Courts in 1988 *was 7.4 hours – two days' court time.*

If a jury is reduced by one or two when a trial has only a relatively short time to run the judge can reasonably carry on in the hope that no further problem will arise.

But if it happens, say, two months into a *six month trial the risk is that much* greater and the potential consequences in terms of cost and, of equal if not greater importance, the additional strain imposed on defendants if the trial eventually has to be abandonned and a fresh start made, become much more critical.

There was agreement at the Guinness case that it would be too great a risk to carry on with a jury of 11 with possibly six months to go.

There was, therefore, little alternative but to start afresh by empanelling a new jury. Swearing in a replacement juror would in any event have required a return to square one, with the indictment being read over to the jury again and the prosecution starting its opening statement again.

From the defendants' point of view, hav*ing 11 of the original jury hearing the first* part of the prosecution's opening statement for a second time might have been regarded as possibly prejudicial.

The problem must not be overstated, however. The situation that has arisen in the Guinness trial is, if not unprecedented, *at least unusual.* For example, the last long fraud trial at Southwark Crown Court was the Alexander Howden case which ran from May to August last year without losing a single juror. In 1988 juries returned verdicts in nearly 27,000 criminal cases.

However it has pointed to the need for even greater stringency in the already reasonably comprehensive jury empanelling process.

About 100 jurors-in-waiting had been screened for the Guinness trial on Monday. All were given two lists of questions *to answer: one* to ensure that they had no connection with the case, the defendants or the witnesses, the other dealing with their personal situation.

Forty were excused from service because they had a holiday booked, were to be married or had an examination during the next six months, or because they had a medical or health problem, or for business or work reasons, such as being self-employed or indispensable to their employer's business.

A panel of 20 was selected from those remaining and the eventual 12 chosen by ballot.

The trial began on Tuesday, only to be delayed on Wednesday morning when two of the 12 had to be discharged – one because of an intermittent medical problem, the other for work reasons.

The discharge of a third yesterday because she suffered from intermittent migraine – something she had not thought to mention when questioned – showed the need for more detailed questions to be asked of those being asked to serve on a jury for six months.

NEWS IN BRIEF

Whisky group urges equality in excise duty

The Scotch Whisky Association yesterday urged Mr John Major, the Chancellor of the Exchequer, to begin moves in his March Budget towards the equalisation of excise duties on all alcoholic *drinks.*

Discrimination against whisky should be reduced by taxing all drinks according to degrees of alcohol content, it said.

The association also pressed *for the introduction* of a maturation allowance for all stocks of maturing whisky distilled within the statutory minimum period of three years.

BZW man quits

Mr Peter Holloway, 49-year-old head of equities and market making at Barclays de Zoete Wedd, the stockbroking group, has quit after a difference over management style.

Mr Holloway's departure comes only two weeks after a batch of redundancies in the company which was heavily concentrated on the market-making side.

Arts rescue package

The Arts Council *has stepped* in with an emergency rescue package worth more than £2m to save the English National Opera and the English National Ballet, from possible closure after Westminster City Council withdrew 90 per cent of its funding.

The council claimed that under new legislation it would lose lucrative business rates and would have to concentrate *arts grants* on local rather than national companies.

'Absurd' recycling

Friends of the Earth, the environmentalist lobby group, has called the state of waste paper recycling in the UK "absurd", as it published a report on the waste paper industry and barriers to recycling.

Ms Peni Walker, the recycling campaigner at the FoE, said "the waste paper that is easiest and cheapest to collect is not being fully utilised, and the high-quality waste paper needed to make recycled stationery is used for short-life unrecoverable products."

Clarke criticism

Family doctors who claim that the Government's new contract justifies the removal of patients from their lists are "dishonest and unprofessional," Mr Kenneth Clarke, the Health Secretary, said yesterday.

He rejected claims that the contract would create financial justification "or any respectable excuse" for removing patients.

Sky subscription

Mr Rupert Murdoch's Sky Television has already signed up close to 300,000 homes for its Sky Movies channel, the film subscription channel that costs just over £9 a month.

The total, which represents around 50 per cent of Sky viewers with their own dish receivers, is early evidence that satellite television viewers might be prepared to pay monthly subscriptions for extra television.

No fur at Harrods

Harrods, the London department *store* which *is* part of the House of Fraser group, said that it would close its fur salon in April for "commercial and economic" reasons due to the fall in demand for furs.

Lynx, the anti-fur pressure group, claimed success for its campaign. "In less than five years the British public has become aware of the extreme and totally unnecessary cruelty involved in the production of fur coats."

Drive against AIDS

A major anti-AIDS drive was launched in the UK yesterday amid serious misgivings as to how effective it will be.

The Health Education Authority's latest £2.7m press and TV advertising campaign warns that Aids could be as potentially disastrous as the greenhouse effect.

Textile receivership

James Seddon UK, which makes shirts for Marks and Spencer which employs 2,000 at eight factories in the UK went into receivership yesterday after losses and cash flow problems following its 1987 acquisition of Havelock, a blouse maker.

Mr Allan Griffiths, a partner in accountants Grant Thornton, which has been appointed receivers, said the economic downturn and the textile industry's troubles were not factors in the company's difficulties.

In-house credit

Chartered Trust, the finance house subsidiary of Standard Chartered Bank, is to launch an in-house credit card aimed at small and medium-sized retailering groups and individual shops, particularly those trading outside the *London* area.

UK NEWS

Westland signs memorandum with Franco-German helicopter venture

By David White, Defence Correspondent

WESTLAND, the UK helicopter manufacturer, has signed a memorandum of understanding with Aerospatiale of France and Messerschmitt-Bölkow-Blohm of West Germany to join the development project of a new army support helicopter project.

Doubts about the British Government's commitment to a four-nation anti-tank helicopter project have prompted Westland to make a provisional agreement with the rival Franco-German venture for the aircraft, recently renamed the Tiger.

The Tiger is a rival to the Light Attack Helicopter (LAH) project in which Westland is already involved with Agusta of Italy, Fokker of the Netherlands, and CASA of Spain.

A Ministry of Defence (MoD) decision on whether to continue with the LAH, currently in a cost-definition phase, is imminent.

The prime rival, favoured by British Army commanders for its heavier firepower, is an upgraded version of the McDonnell Douglas AH-64 Apache, which was used for the first time in combat during the US invasion of Panama last December.

Westland has already signed a memorandum with McDonnell Douglas for production in the UK if the MoD opts for the more expensive US helicopter.

Apache: favoured by the British Army over European rivals

It has therefore now ensured its participation, whichever of the three army helicopters is chosen. Besides these three, Britain has also been looking at the US experimental LHX programme which would combine reconnaissance and light attack roles.

The Franco-German project will, however, become the main rival for the Apache if Britain withdraws from the LAH, as is widely expected.

The LAH, based on Agusta's current A-129 helicopter, has been dogged by disagreements over specifications. The House of Commons Defence Committee said in a report earlier this month that prospects did "not look good" for the project being completed without further difficulty and delay.

The France-German Tiger, also beset by delays since a first agreement was signed six years ago, moved into full development in December, under a DM 1.9bn (£690m) contract. The first prototypes are due to fly by mid-1991.

Westland's agreement covers production of a UK derivative, with the company's workshare reflecting the helicopters ordered by the UK.

The French and West Germans both want the Tiger for anti-tank operations, with an additional French requirement for an escort and fire-support version. France has insisted on building in versatility in the hope of enhancing export prospects for the aircraft. The helicopter was previously known as the PAH-2 Germany or HAC/HAP in France.

The British Army needs to replace its Lynx helicopters. Senior officers have argued that neither the LAH nor the Franco-German Tiger is heavy enough to carry the range of weapons needed for the future battlefield.

Marks and Spencer sets sights on recruitment in continental Europe

Lisa Wood on British involvement at a Belgian recruitment fair

Mr Mike Shaw, store recruitment manager of Marks and Spencer, gently nudged the young Belgian woman in the direction of one of his colleagues. *"Je ne parle pas le Francais,"* he murmured.

Mr Shaw, along with four other M and S staff employees who did speak French, was staffing a stand at Belgium's largest national two-day recruitment fair, organised by Co-Media, a publisher of student magazines and literature.

An estimated 650 people at the event spoke to Mr Shaw and his colleagues about working in Britain with more than 1,600 information packs, containing specially re-written application forms, picked up by the throng of young people who crowded around the stall.

M and S, Britain's largest retailer, along with John Mowlem, the UK construction group and Valeo, the French car parts group were the only foreign companies at the fair – although Belgian subsidiaries of multinationals like American Express were well represented.

The presence of M and S, Mowlem and Valeo is indicative of an emerging trend in Europe – the extension of domestic recruitment programmes into other European Community countries. This is distinct from the well-established practice of foreign subsidiaries of multinationals hiring local people for foreign operations.

Mr Shaw, who will also be attending recruitment fairs at Antwerp and Paris, said: "Everybody wants to know why we are here. We tell the students that we are not having difficulties recruiting in Britain at the moment but that with this strategy in place we will be well placed to recruit more people abroad in the future if it is necessary. In addition we want people who are prepared to travel, who have horizons beyond those of their own country. We are looking for an international workforce."

Mr Damien Rasse, director of Human Resources at Valeo, has a similar perspective. "Today, there is not a need to recruit like this – but we are seeking to develop a resource of people who are mobile both geographically and intellectually. The idea is that in the future, as international career development becomes more important."

Mobility, language skills and "the ability to work with different groups of people without prejudice" were the main qualifications, said Mr Rasse, for managers with a "European approach."

"Nobody has raised the issue with us of wanting to be a Euro-manager," said Mr Philip Ulyett, manager of M and S's store in Lille, France. Mr Ulyett, a fluent French speaker, who was assisting on the M and S stand, said students he had talked to had expressed willingness to travel but no great enthusiasm for an international career."

Mr Ulyett's first impressions are endorsed by Ms Chris Lambrecht, the organiser of the fair. "Not that many people are keen to go abroad for long periods. Many would like to work outside of Belgium for four or five years but then they would like to come back." Ms Lambrecht said she had not set out actively to promote the fair abroad. "It is probably a bit early for me to launch a big campaign," she said.

Equivalent merits of qualifications, said Ms Lambrecht, was one problem companies recruiting within the EC had still to tackle. "I don't think it is easily solved," she said "but bright young people will find their way all over the European labour market."

Ms Lambrecht had spent a day with M and S talking about equivalency of qualifications – with this being reflected in questions on the application forms. Commonplace British questions, such as whether applicants had done training in the Combined Cadet Corp/Air Training Corps or the Duke of Edinburgh Award, had been replaced with more general questions about leadership experiences.

Young people at the fair expressed surprise that companies like M and S and Mowlem recruited from a wide variety of academic qualifications. On the Continent degree qualifications are more vocational in character than British ones.

Opportunity to practice English was the most frequently cited reason for wanting to work in the UK, with many students expressing a wish to only work here for a short period.

Mr Thierry Vierin, a 21-year-old Law student, said: "I don't like England and its reserved island mentality, but it is necessary to go there to improve my language. Everybody should be able to speak two or three languages."

European link urged for UK gas market

By David Thomas, Resources Editor

THE gas market in Britain will not be fully competitive until a link is built with the Continent's gas grid, the House of Commons Energy Committee said yesterday.

The committee also called for a review of the system of gas prices for large industrial customers and of the gas levy, under which British Gas pays the Exchequer 4p a therm for gas that comes from older gas fields.

The recommendations were contained in an 83-paragraph report on industrial and commercial gas prices, in which the committee urged Ofgas, the industry's regulator, to monitor British and Continental gas prices closely to ensure that the higher prices currently charged by British Gas were unavoidable.

It added: "We are surprised that no comprehensive examination of the practicalities and cost benefits of constructing a link with the European gas grid has been made known to us. We are persuaded that a fully competitive gas market cannot exist in Britain without such a link."

The committee asked Ofgas to consider whether to re-introduce the system by which large industrial customers could negotiate individual contracts with British Gas for supplies subject to interruption at times of peak demand.

Individual contracts were replaced last year by uniform prices following the recommendations of a Monopolies and Mergers Commission report, but British Gas and some of its customers have criticised the inflexibility of the new arrangements.

The committee is worried that the gas levy could act as a disincentive for new investments in old fields. It quotes estimates that halving the gas levy would cost the Treasury £160m in 1991.

The report also highlights ways in which the present regulatory regime might be encouraging the wasteful burning of gas.

It urges the Government to consider amending the 1986 Gas Act to lower the consumption threshold – currently 25,000 therms a year – at which businesses move into the contract gas market. It also suggests strengthening Ofgas's powers to promote the efficient use of gas.

● *Industrial and Commercial Gas Prices. Energy Committee, second report, 1989-90. HMSO. £13.30*

Business stabilising after long downturn

By Rachel Johnson

THE ECONOMY has passed the point at which it could have tipped into recession, according to an upbeat assessment of the state of UK business.

The latest quarterly economic survey by the Association of British Chambers of Commerce – which covers 12 regions and more than 3,000 businesses – says that business prospects now appear to have stabilised after a prolonged downturn.

The chief cause for confidence is that more manufacturers are reporting increases in home orders than in the previous quarter. At the turn of the year, 36 per cent reported an increase, while 31 per cent reported a decrease. The balance between the two – which gives a guide to the trend – is five per cent.

This represents the first break in the sustained decline of previous quarters. Had the decline in home orders continued, this "would have suggested recession," the BCC says.

While the increase in base rates last October did not deliver a new shock to demand, depressed domestic markets made manufacturers look overseas.

The survey confirmed last month's record exports growth of six per cent in December to reveal that the balance of firms reporting increases in export deliveries jumped to 15 per cent in the fourth quarter, compared to just four per cent in the third.

The level of manufacturers' planning to increase investment is dropping. However, the survey does not show a net balance of firms reducing their spending plans.

High interest rates were the overriding preoccupation of 78 per cent of respondents, who said a cut would improve business prospects. Almost as large a proportion declared that lower inflation would allow business to pick up.

Concern over high pay settlements was small – which the BCC attributed to the fact that employment growth had slowed to reflect reduced demand in the labour market.

Call for single authority to monitor oil rig safety

By Maurice Samuelson

THE oil industry yesterday called for a single regulatory authority with the power to close down unsafe North Sea platforms.

The UK Offshore Operators Association, representing the 36 companies involved in North Sea exploration and production, told the Cullen Inquiry into the Piper Alpha disaster that this authority must be properly resourced to enable it to assess management quality and to carry out formal safety assessments.

Dr Harold Hughes, the Association's director-general, said that since the July 1988 Piper Alpha tragedy, his industry had been reassessing its systems, procedures, standards and equipment to enhance safety. Its recommendations were intended "to ensure as far as is humanly possible that such a tragedy should not occur again."

The single regulatory authority would have the resources to ensure that an operator was fulfilling its responsibility for offshore safety, and with the power to order remedial action or to shut down the installation.

UK grocery retailing

How Safeway is enlisting customer power

Maggie Urry reports on the chain's 'meet the people' policy

St Helens shoppers decided in favour of children's trollies

If retailing in the 1970s was characterised by price wars, and in the 1980s by the arrogance bred by insatiable consumer spending, the 1990s is likely to be a period when shops need to woo customers by carefully identifying and satisfying their desires.

Successful shops will be those which give the shoppers what they want in terms of what products they want, at the price they are prepared to pay, in the surroundings they find convenient. Like many things which seem obvious, these ideas are too often missed by those involved.

Alistair Grant, chairman of Argyll Group, which bought the Safeway food retailing chain in early 1987, says that while the company can endeavour to control internal aspects, such as costs, it is completely dependent on something outside its control – customers.

One of his priorities for Safeway is to differentiate it from other food retailers by making it recognised as the one which is most responsive to customer needs, both nationally and at store level.

Argyll is number three in the food retailing league table after J Sainsbury and Tesco. Grant sees those two as uncatchable, barring disasters, so Safeway must find a way to be distinctive.

A recent Which? report said that Safeway is regarded by shoppers as having helpful staff, with packers at the check-outs. Verdict, the retail market research group, says Safeway also scores by having a much larger range of products on offer – more than twice as many lines as Sainsbury – and stocks "regional" foods.

However, this wide range, and the lack of a strong own-label identity, can be confusing. And Safeway is behind Sainsbury, for example, in putting electronic point of sale technology to use in offering discounts or unit pricing, which allows customers to compare prices per 100 grams, say.

As part of Grant's campaign, Safeway set up a customer suggestion scheme in a store which it opened last July in St Helens, Merseyside, an area where it was not well known. The store – one of the biggest in the chain – took more than any other Safeway in the week before Christmas.

The scheme also proved successful and has been extended to 14 stores, ranging from Penzance in Cornwall to Irvine in Scotland.

There is nothing particularly new in asking customers for comments. But Safeway has taken the scheme a step further by organising a "customer conference" – which it reckons is the first of its type in the UK.

One hundred people were selected from the 1,000 plus St Helens shoppers who had sent in comments. The aim was to invite a cross-section from different age groups and backgrounds – though, as one pointed out, no disabled people were there.

Inevitably there is an element of self-selection in that only articulate, interested people are likely to respond in the first place. Even so Safeway managed to find some single parents and lone male shoppers.

The participants were bussed to nearby Southport, where, among the faded elegance and wrought ironwork, they spent a day grilling Grant and other Safeway executives and participating in small group discussions. Stuart Hall, of the It's a Knockout television contests, acted as master of ceremonies. Hall, who lives locally, is a "genuine Safeway shopper," says Grant.

Alan Taylor, Safeway's divisional marketing director, explained that "in Safeway we're obsessed about talking to our customers. We want to get closer to customers than any other retailer. We will measure satisfaction in your terms."

Shopping, he said, can be boring and Safeway would like to make it easier, even enjoyable. "Today's shoppers' panel moulds tomorrow's Safeway," he promised.

Already changes are being made as a result of customers' suggestions, Taylor reported. From the start it had become apparent that motorists and pedestrians alike hated the "way in" and "out" to the store, which is on a busy road. Safeway used the shoppers' complaints to put pressure on local planning authorities; a second exit from the car park is to be built shortly and a pelican crossing installed.

Trolley designs have been changed since many shorter customers complained that the handle was too high and picking things out of the trolley was difficult, Grant says. Shallower trolleys with lower handles had been introduced.

A question and answer session threw up a number of issues, although there was a general consensus that the store was attractive and the staff friendly.

Could the two-hour free parking limit be extended? Why was there so much South African fruit on offer, sometimes without an alternative? Could the "kiddies' trolleys" – scaled down versions of shopping trolleys – be phased out because small children kept running into adult customers? Could the coffee shop offer children's meals after school hours? What about a crèche? Why are trolleys scattered all over St Helens? What about food irradiation? How will Safeway compete with Marks and Spancer and Sainsbury in the 1990s? Could Safeway introduce unit pricing? What about a home delivery service? Could the take-a-ticket queue system at the delicatessen counter be changed – it was like queueing for the dole?

Many ideas were discussed and put to the vote by Hall. A majority was happy to buy South African fruit, preferred the two-hour parking limit, knew little about irradiated food, liked the ticket system, wanted the children's trolleys retained.

Other suggestions were put forward. The children's trolleys – which Grant said were so popular with some shoppers that they kept disappearing into car boots – were part of a general problem of taking children shopping. One shopper suggested that the store could help parents if it introduced the incentive of a badge awarded to well-behaved children.

Grant said he was nervous about having a crèche in case children were taken away by people other than their parents. Why not attach a number to a child and give a ticket to its parent, said one shopper.

While none of the questions was unexpected, since most were typical shoppers' concerns, Grant says that however much he reads research on what customers want, when a mother of three tells him what she finds annoying it has much more impact.

Round-table discussions brought out even more questions, until one brave shopper asked Grant: "Is this just a public relations exercise to maximise profits? Would you close the St Helens store if it was losing money?"

Grant's response was: "If we don't do this again next year it will have been a failure on our part; it will just have been a PR exercise. If we change things as a result it will be a demonstration that we are shaping the business towards what customers want."

During the day customers' responses were noted by an independent researcher, who reported back to Safeway. Shoppers were also asked to fill in a questionnaire on their way home on the bus.

Grant believes that holding the conference also sends a message to people throughout the group that the chairman regards the issue of meeting customer needs as vital. He says the group learns a lot from the customer suggestion scheme – he himself answers a few letters from customers each week.

Some things are easy to change – for instance, a suggestion that the rather clinical look of the nappy-changing room could be brightened up by friezes or mobiles.

But Grant is prepared to make bigger changes. He says, for instance, that "we will almost certainly introduce childcare in the St Helens store." This despite the fact that it would require space – one of any retailer's most precious resources – to be given over to an area which would generate no direct profit.

But, Grant says, "it is very important to recruit the shopper with children."

If adding a crèche, changing the coffee-shop, redesigning the trollies and reorganising the car park brings in a few thousand pounds of extra sales each week, the profit margin on those sales can be much higher, boosting the stores' profitability.

Were the shoppers themselves convinced by their day out? One, who was in Grant's discussion group, summed it up. "He seems sincere," she said. "The important thing is he came and listened."

Europe — one vast playground

David Churchill explores the opportunities available to leisure operators

When Stephen Tate was appointed as Mecca Leisure's first marketing development director for Europe at the beginning of the year even he did not fully realise the enormous potential that the continent holds for UK leisure operators.

"It comes as quite a surprise when you begin to look at the numbers and the disposable income of consumers on the continent," he says. "When you also consider that there are very few established leisure operators in continental markets – then the opportunities are quite staggering."

Mecca has emerged as one of the UK's leading leisure-only operators since it was bought out by its management from the Grand Metropolitan group in the mid-1980s by successfully managing its portfolio of night clubs, theme restaurants, holiday camps, and bingo clubs.

But Mecca is well aware that making money from leisure in the UK can be a fickle business, even if some of its activities – such as discos and bingo – seem to be holding their own during the slowdown in consumer spending.

Hence the decision to target continental Europe. "We've always had the continent on our minds but now we want to make sure that we expand in a co-ordinated way," says Tate.

Mecca is not alone in eyeing the opportunities on the other side of the English Channel. Brent Walker, for example, is developing marinas in France and Spain while European Leisure has acquired several night-clubs on the continent, adding to its disco operations in the UK.

Yet British leisure companies have been relatively slow in tapping the continental market. "They have seemed very reluctant to move out of their established domestic markets," points out William Martin, director of Suffolk-based Leisure Consultants. "I'm not sure that many believe that the concept of mass-market leisure can successfully be exported."

One reason for this reluctance, he believes, has been the experience of British retailers on the continent. Chains such as Marks and Spencer, Habitat, and W H Smith have all found expanding on the continent hard-going.

"Retailers undoubtedly found a clash of cultures in simply trying to take a UK operation and setting it down on the continent," believes Michael Ward, chairman of European Leisure. "Our strategy, however, is to buy up suitable properties on the continent and apply the professional financial and management techniques that we have developed in the UK."

Ward has found that continental disco operators are no different from those in the UK in failing to apply sound management to cash-rich businesses. "It's simply a matter of keeping on top of the money," he insists. Ward's European expansion plans are being financed by a £22m rights issue, half of which has been ear-marked for the continent.

The continental disco business has particular attractions for UK operators. "The demographics over the next decade will be very similar to those in the UK," points out Mecca's Tate. "This means that while there will be fewer young people, they will have more leisure time and disposable income."

But what makes this secter even more appealing is the lack of any organised indigenous competition. "While the UK market is undoubtedly fragmented – even Mecca only has about a 12 per cent share – there are no native operators on the continent approaching anything like that level of penetration," says Tate. "There aren't any chains at all."

Yet the key question for UK leisure groups is whether the British approach to mass-market leisure operations will translate to the continent. "In principle, I don't see why it shouldn't work in some countries at least," believes Kieron Culligan, a senior leisure analyst with the Henley Centre for Forecasting.

In the packaged holiday market, for example, "there are close similarities between the British and the West German holidaymaker in what they want from a package," he explains. "Yet the French are not interested in taking package deals. What is clear is that British companies will have to pick both the countries and sectors very carefully if they are to succeed. I think they need to adopt a gradualist approach rather than moving too fast."

Tate, is cautious about whether branded leisure operations will successfully translate across pan-European borders. "I have ultimate confidence in the effectiveness of branding," he says, quoting the example of the McDonald's hamburger chain. "But it is something we will have to consider very, very carefully."

Mecca already has one strong brand in its Hard Rock chain of burger restaurants which it acquired with its takeover of Pleasurama in the late 1980s. Although Tate refuses to be drawn on Mecca's plans for Hard Rock, it has already proved successful in Stockholm and Tokyo and most leisure analysts see it as a strong enough brand to be developed across the continent by Mecca.

However, while British leisure operators are eyeing the continent, the traffic has not been all one way. The Dutch holiday camp operation Center Parcs, for example, has successfully been introduced into the UK in Nottinghamshire and Norfolk. Its very success prompted Scottish and Newcastle, the UK brewer, to take a controlling stake last year.

CINEMA

Growing pains

WHEN I FALL IN LOVE
Taylor Hackford

SUMMER VACATION 1999
Shusuke Kaneko

THAT SUMMER OF WHITE ROSES
Rajko Grlic

THE REVOLVING DOORS
Francis Mankiewicz

LENINGRAD COWBOYS TO AMERICA
Ari Kaurismäki

Long before we start worrying about growing old, we have to confront simply not being young any more. In professions or cultures where confidence and achievement come with maturity this may be easier to face, but in the society that reflects a large chunk of American aspirations – the society of *When I Fall in Love* – youth and the attainment of youth, appear to be everything. The football star, the beauty queen – what happens to them when the waist thickens even slightly, or the pace slows down? It can happen before they are 30, and it is what haunts Gavin and Babs (Dennis Quaid and Jessica Lange), the central characters whose popularity and ideals of personal excellence are based on their physical perfection.

The release of this film in England has been delayed for two years; apparently it did not do well in America, possibly, but unfairly, because it coincided with a run of sports movies there. While Gavin's sense of identity rests on his success as a professional footballer, the game itself is peripheral to the much more serious subject of what happens to him when age starts to undermine his performance. When he flounders into a youthful retirement, no longer a hero and incapable of reinventing himself, his wife Babs has to find the maturity to take control of their lives.

Spectacular scenes of the storybook college sweethearts confidently accepting the adoration of a stadium full of admirers, evolve into their realisation that they cannot live other people's dreams for them, and that their appeal is completely superficial. In a scene in which a friend tries to remind him of an early football triumph Gavin says impatiently, "I don't live in the past," but the past is all he has.

Dennis Quaid is physically right as the active, charismatic jock, but it is his actor's sensitivity to Gavin's baffling combination of integrity and immaturity that make his performance so convincing. And Jessica Lange as the southern belle learning to get tough, makes a virtue of her quieter role when she finds Babs' superior emotional strength. Director Taylor Hackford (*An Officer and a Gentleman*) may take too leisurely a pace, but he has made a touching and valid film. Pulling vulnerable truth out of a film posing as a blockbuster cannot be easy. And for the baby boom generation this film is surely aimed at, the news that none of us is really grown up much before we reach 40 must be strangely comforting.

The problems of growing up that occur in *Summer Vacation 1999* concern a different generation. Set in an imposing boarding school, this subtitled Japanese film deals with the conflict of three early adolescent schoolboys alone in the building during the school holidays. One of their friends has recently committed suicide, and the sudden appearance of a new boy, the double of their dead companion, is deeply disturbing.

Though it has the elements of a thriller the film treats the story in a surreal way. The boys wander the cavernous school and rustic grounds, obsessed with the mystery of the strange new boy, and the larger mysteries of life. "I wanted to kill it without hurting its beauty," says one boy of a crushed butterfly. Killing your own childhood without destroying it is a challenge too. By casting girls in the boys roles director Shusuke Kaneko has deliberately disposed of the last hint of unwanted earthiness, but the risks he has taken to achieve an elliptical, spiritual film bring him dangerously close to lifelessness and pretension.

Summer is less than idyllic in occupied Yugoslavia too, in 1945. Even the flowers in *That Summer of White Roses* represent not real romance but the dreaded attentions of the resident German colonel to some unfortunate local girl. The inhabitants of a small lakeside resort base their lives around the water, and put their energies into helping their lifeguard Andrija (Tom Conti) conceal refugee Susan George. Had the film been left to the Yugoslavs this wartime melodrama might have yielded some more interesting scenes: whether each of our lives has a specific purpose, or the possibility of a god who is as elemental and encompassing as water. But this largely gets lost in the incompatibility of the mixed Yugoslav and British cast. The intrusion of English regional accents, Tom Conti's distracting attempts at Eastern European body language – as if he had escaped from a Piat de Beaujolais commercial – and Susan George's country house version of a refugee, "I'm so sorry, we have to leave now," she announces as if she is fleeing a boring dinner party instead of the Nazis, is disastrous.

When no one is talking the film occasionally captures the atmosphere of enigmatic calm that water can inspire. But those qualities have not rubbed off on the character, who seemed to be waving and drowning at the same time.

While *White Roses* might have done well to compose itself and trust its looks a bit more, *The Revolving Doors* relies vainly on its pretty period costumes to conceal the fact that it has nothing to say. This subtitled French Canadian saga of a young pianist who abandons her baby in search of adventure, then tries to win his sympathy in her old age, is told with as much satisfying detail as a telegram. Switching between past and present such large pieces of the action have been mislaid but just what she

Scene from Kaneko's 'Summer Vacation 1999'

achieved that justified leaving her son remains a mystery.

But brevity can be a virtue, as Ari Kaurismäki demonstrates in *Leningrad Cowboys Go America*. This young Finnish director's first English language film is a whistlestop road movie recording the adventures of a Finnish band that has never heard of rock and roll – a group of improbably quiffed Elvis lookalikes who rapidly adapt to whatever musical style is required. It is obvious that Kaurismäki has seen the Blues Brothers, but he neither parodies the music or satirises America. Instead he takes the country as he finds it as his heroes hurtle from New York to Mexico in a series of beaten up cars, singing in bars, getting arrested, and speeded on by delightfully dry captions: They Beat Him Badly; Alone In The Desert, Why? The economy of the direction is most eloquent in the account of the band's week in jail, a subtly changing single shot that neatly summarises their shifting emotions.

Leningrad Cowboys Go America has a unique, amiable, almost stoic humour; and Kaurismäki's talent will be confirmed next week when his earlier subtitled film *Hamlet Goes Business* opens at the Everyman. this updated, big business version of *Hamlet*, though much more structured and plot-laden, is treated with the same economy. Leaving very little out he still manages to romp through the story in an astounding 86 minutes, treating the drama with a mixture of respect and hilarity in which the State of Denmark becomes a shipping company about to be sold off in favour of producing rubber ducks. Shot in black and white with more characteristic captions (Body In Street Leads To Investigation; He Becomes Melancholy) it is another taciturn joy.

Apparently Kaurismäki is to make an Ealing-style thriller in London this year.

Ann Totterdell

La forza del destino

THEATRE ROYAL, GLASGOW

There is so much to say about this production it is difficult to know where to start. *La forza del destino* is not one of those pieces by Verdi that plays itself; but Scottish Opera has shown here that if a company is really determined to meet its challenges, the opera can shake heart and mind to the innermost depth.

The work was originally written for St Petersburg in 1862. At that time it was conceived in a cruder form than the one we know today, as Verdi later fought shy of the opera's most violent elements. But in hindsight it is possible to see in this raw, unrevised tale, of aristocrats doomed to suffer and a populace either starving or torn apart by war, a tragedy on a truly Russian scale: an Italian *Boris Godunov* that merits attention on its own account.

In essence it is that early *Forza del destino*, the more grim and hopeless, that Scottish Opera has given us here. The major scenes that Verdi replaced have all been reinstated, though the company has compromised by leaving in his smaller improvements. To that extent it could be argued that they have given us a version that is neither one thing nor the other, but that will almost certainly seem academic to an audience faced with a performance that blazes with theatrical conviction.

As if aware that the choice of version had already imposed its own slant on the production, Elijah Moshinsky has wisely allowed the opera to tell its own story. My notebook could yield quite a few minor quibbles: to name one example, Leonora opens the third act by rushing straight into Michael Yeargan's monumental stone monastery, when the music and the text, not to mention the character's specific predicament, make it clear that she remains outside.

What matters, though, is the grand sweep of the whole dramatic panorama. In the central war tableau, cleverly represented a a battlefield hospital in which the wounded are laid out before us, the massed forces are superbly marshalled,

Andrea Gruber

while individual performances seethe with passion. Moshinsky has clearly worked at length with his principals, which is a well, since at least two of them are worth every minute that he could have spent with them.

When you hear a new voice for the first time in a strange theatre, the wise move is to be cautious. But caution is the last emotion one feels on encountering the soprano Andrea Gruber, whose Leonora in Glasgow is remarkably one of her first major engagements. Not only did she sing the role with a marvellous freedom and generosity of tone, she also gave a complete physical performance, opening Leonora's inner collapse vividly to view: a portrayal by the end of thrilling intensity.

To have two finds of that quality on the same evening is a coincidence of which even the convoluted plot of *La forza del destino* would be proud. Yet the Don Carlo of Vladimir Chernov was no les impressive: a magnetic presence, vengeance personified, alway sturdy and vibrant vocally, despite this version taking "Urna Fatale" up a semitone. Even if neither of these singers goes on to fulfil their enormous promise, I count myself fortunate to have heard them here.

Admittedly, not all the cast were so successful. The Don Alvaro, Stefano Algieri, produces some visceral sound, but this Incan prince often seems to be singing in some ancient Peruvian language. There is a mellow, not very authoritative Padre Guardiano from Alexander Morosov. Among the comic parts Nicholas Folwell, with putty nose and bandy legs, works hard to make a character out of Melitone and Della Jones is a splendidly earthy Preziosilla, who flunks none of her top notes.

They must all have benefitted from the considerate hand extended to them from the pit by John Mauceri. His way with the score admits many subtleties that it is not alway privileged to receive and for that reason it may seem ungenerous to recall the uncomplicated Verdian energy with which other conductors such a Mitropoulos and Muti have driven the opera along. There wa a wildness missing, on which this version in particular should thrive.

At the end we do not get the customary trio. Instead Don Alvaro completes a tripartite scene of blood-letting in committing suicide: by throwing himself from a rock in Verdi's stage directions, by shooting himself in the Moshinsky production. When one sees it on stage, it is clear at last how integral this conclusion is to the unremitting chain of events that have gone before. For the wretched characters of *La forza del destino* there can be no redemption.

Richard Fairman

Show Boat

ROYAL SHAKESPEARE THEATRE, STRATFORD-UPON-AVON

There is something endearing about "serious" music buffs descending from their ivory tower to the mired market-place of the commercial, and swooning over sleekly-tailored professionalism and the odd good tune. Last December's reception by a predominantly opera-going press and public of the joint RSC/Opera North co-production of Jerome Kern's old tear-jerker at Leeds would have seemed effusive applied to *Tristan* or *Figaro*. And the General Administrator, no less, of Opera North declares the show "a masterpiece." There are few works in the 400-year history of opera that one would unhesitatingly term a masterpiece. *Show Boat* is not one of them.

Rather is it a Broadway blockbuster by Edwardian musical comedy out of *mitteleuropäisch* operetta. In this score at least Kern's peers are Sigmund Romberg and Rudolf Friml. He never looks ahead to Rodgers or Porter; and rarely sideways to Gershwin. There are a few good tunes, arguably a couple of great ones; some dross ("You Are Love" would not have passed muster in *The Desert Song*); and much padding, repetition and background mood music which, with respect to my musical colleagues, makes the piece no more a *melodramma* or *opera manqué* than the average film with a background soundtrack.

A soap-opera before its time, the story – book by Oscar Hammerstein from Edna Ferber's novel – covers 40 years; and manages the not inconsiderable feat of mashing racial bigotry, miscegenation, show biz, failed marriage, poverty, alcoholism (just a smidgin) and final reunion into the blandest of pap.

For a work dominated by Ole Man River, Russell Craig's claustrophobic set allows us surprisingly little of nature. It is not the work's fault that it reeks of cliché – Mississippi gambler, bright young soubrette couple, starry-eyed ingénue who effortlessly becomes an actress at short notice; it is the fault of Ian Judge's production that no life is breathed into them.

Much of the spoken dialogue is indistinct which hardly speeds up an evening which includes such padding as a before-curtain spot for Trevor Peacock's Cap'n Andy and the later, film-inspired duet "I Still Suits Me." One is all too aware that for all its ostensibly exciting story line, the show is a disconnected series of numbers, not springing from the plot but dropped in. The classic example is "Bill," an admitted "show" song within the show. Here it would be ungrateful to complain of Kern's insidiously simple melody to P. G. Wodehouse's words – especially as put over by Fiona Kimm.

Other great moments include "Can't Help Lovin' dat Man," not quite as exhilarating as in the recent recording but a good reminder that it's initially a defiantly up-beat assertion, not a droopy torch-song. Cast changes bring Jose Garcia as a young, personable Joe who as yet lacks the weight of voice and person for the ideal rumble of "Ole Man River" (though he manages the last act reprise with great authority).

Pruned from its announced duration by 20 minutes, the show leaves unanswered the question of why it was thought worth doing by Opera North and the RSC. It may of course please a well-fed and well-heeled audience that demands a token dash of comfortable drama with its hummable tunes as much now as it did 1927.

Martin Hoyle

Ondine

PURCELL ROOM

Ondine is not only an enterprising ensemble but a good one, if perhaps a little too even-handed. On Tuesday I missed some signs of strongly focused character, even where the music wanted that; and yet the Ondine playing was devotedly musical, much more than competent. Perhaps the sense of modest reserve was only the result of their choosing an all-American programme: by and large, British chamber-playing is not geared to bold, hard-edged effects, and American music that wants them sharply defined is liable to be fobbed off with *chiaroscuro*.

Not surprisingly, the best Ondine performance was of Charles Ives' 1905 piano trio, in which lusty reminiscences of Yale are set against stately neo-Brahmsian constructions and Ives' own, prescient "impressionism." It is a rich and startling piece, and though it would gain from a still higher profile of contrasts, the Ondine version was decently telling. So too Samuel Barber's wind quintet *Summer Music*, delivered with an amiable grace that fell just a bit short of the infectious *al fresco* air needed to buoy it up.

Granted some pennywhistle *forte* at the top, Marianne Ehrhardt's solo flute lent much feeling to young Augusta Read Thomas's new *Aria*. Miss Thomas is a precocious professional of wide-ranging competence, which may explain the eclectic range of gestures and devices in her *Aria*; but the solo lyrical impulse is consistent, even when derivative, and the moments of Italianate glory assigned to the accompanying quartet – in line with the title – are beautifully imagined. I had doubts only about her piano-doublings in florid passages, which sounded less like witty pastiche or evocation than mechanical emphasis. Had the other instruments not been tuned slightly sharp of the piano, one might not have noticed.

The special attraction of the programme was the "early" *Ceremony of Innocence* by Michael Torke, who is now going on 29 but composed it when he was 22. In detail it is characteristic as could be, pursuing a variety of bright musical ideas spelt out in as many manners as their sources: jazz, pop, minimalism, academic construction, all subserving a lively individual personality. Nowadays, however, Torke builds longer and tauter lines than in the short-breathed, cautiously sectional *Ceremony* – and Ondine rendered its saving flashes of colour rather tamely, as if the overall structure were more significant: which it isn't.

David Murray

Alessandra Marc

WIGMORE HALL

Alessandra Marc's recital on Tuesday was the occasion of her London debut – an important and in many ways an unsatisfying one. She is a young American of statuesque build and old-fashioned prima donna presence; she is also the possessor of a soprano voice of limitless potential – old-fashioned, one might also say, in its amplitude, in its ever-growing richness in rising phrases, in its ability to pour out in an unbroken flow of glowing sound.

A couple of Wexford Festivals ago her appearance in Giordano's *La cena delle beffe* caused local outbreaks of ecstasy; in her native land recent débuts (as Aida) at San Francisco and the New York Met have attracted Media Attention. In London the chosen location was a hall a good few sizes too small for Miss Marc's sumptuous tones, and the chosen format a recital of songs by Brahms, Berlioz and Strauss, interspersed with arias by Beethoven and Wagner and operetta numbers by Suppé and Lehár (and eloquently underpinned by Roger Vignoles as pianist).

It was, by a large, one-and-a-half hours of dullness, interspersed with flashes of utterly glorious vocalism that rendered the rest even more frustrating by contrast. Miss Marc is an infinitely promising artist, by no means a finished one. Her voice is in its element while unfolding the cantabile of Beethoven's "Ah perfido!" in generously upholstered curves or flooding a gentle, long-lined radiance through Strauss's "Wiegenlied." It does not "speak" quickly or move with agility, and tight corners are apt to be carelessly turned.

On this showing, she is not at all a word-sensitive singer. If the future of Strauss's "Morgen" depended on being taken down in dictation from this singer's lips the text would surely be lost forever, since on Tuesday most of it was pulped into consonant-less mush. It was probably this apparent indifference to verbal accent and shading that cast an air of sameness on so much of the programme. The pulse quickened slightly in the operetta items – and there was certainly no soubrette mess-ing-about in "Meine Lippen, sie küssen so heiss" – but even here there was so much more to be expected from a voice of such quality.

Miss Marc is worth being severe to: she must be allowed to grow and mature, well out of the limelight. The last thing the opera world needs is yet another trumped-up, but incompletely developed, operatic Superstar.

Max Loppert

ARTS GUIDE

February 9-15

EXHIBITIONS

London

The Royal Academy: Frans Hals – the great retrospective, already shown in Washington and due to go on to Haarlem, of the work of one of the greatest painters of the 17th century Dutch school. Master of the portrait, he was all but forgotten for 200 years after his death in 1666, and he remains an enigmatic and controversial figure.
The Royal Academy. Inigo Jones; Architect – a full study and exquisite show of the intimate drawings and designs of the greatest of British architects, only excepting Sir Christopher Wren. Jones was architect to James I and Charles I, and Greenwich Hospital, St Pauls' in Covent Garden and the Banqueting House in Whitehall remain to us as his masterpieces. Daily until February 25, except Bank Holidays.

Paris

The Louvre. The landscape in Europe from the 16th to the 18th century. The exhibition of some 150 drawings by Rubens, Brueghel, Poussin, Rembrandt and others retraces the development of two different conceptions of landscape representation with the scientific treatment of perspective favoured in Italy and the more atmospheric one prevalent in the northern countries. Pavillon de Flore. Closed Tues, ends April 23 (40205151).
Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends March 18 (40518888).

Brussels

35th Belgian Antiques Fair. European Antiquities. Opens Monday, ends Feb 25.
Archives Générale du Royaume, Grand Sablon, commemorates Belgium's short-lived declaration of independence from the Austrian Empire and the subsequent power struggle between France and Austria for control of Belgium. Daily, closed Sunday, ends 31 March.

Rome

Villa Medici and Palazzo Degli Uffici. A homage to Andre Masson: over 350 works by the French surrealist painter spread inconveniently over two sites, connected by a half-hourly bus. Ends Feb 15.
Galleria Nazionale D'arte Moderna. Jean Dubuffet. Immensely enjoyable exhibition which includes drawings, paintings and sculpture from the Twenties up to the last works of the early Eighties, with salient and illuminating quotations from Dubuffet's writings. Ends Feb 25.

Milan

Castello Sforzesco. Henry Moore retrospective. 48 sculptures covering the years 1938-1983, the larger of which are seen to excellent effect in the courtyard of the 15th century castle, while the smaller bronzes, preparatory studies and drawings are shown inside, in the beautifully lit Sala Viscontea. Ends March 25.
Palazzo Reale. Fernand Leger retrospective: includes over 150 works – paintings, watercolours as well as book illustrations. Ends Feb 18.

Madrid

Centro de Arte Reina Sofia. Antonio Saura. 70 works by the Spanish artist painted between 1956 and 1985. The exhibition focuses on four themes: Ladies, Crucifixions, Goya's dogs and Multitudes. Ends March 19.
Palacio de Velazquez. Art in Latin America. The exhibition analyses the sources and development of art in Central and South America, from the wars of independence through to the present day. Ends March 4.
Fundacion Juan March. Ian Woodner collection of works by Odilon Redon. A very complete exhibition consisting of some 100 works in various media, illustrating the different aspects of the French symbolist painter's work. Ends April 1.
Museo del Prado. Following the highly successful Velazquez exhibition at the Metropolitan, the Prado is now host to the largest show to date of works by the great 17th century artist. Fifty of the 80 paintings at the exhibition belong to the Prado, the rest have been borrowed from various collections around the world, and in some cases are being shown in Spain for the first time. Ends March 15.

Barcelona

Palau de la Virreina. Meret Oppenheim (1923-1983). Retrospective exhibition. Some 130 works by the German surrealist artist including paintings, sculptures, drawings, objects, collages. Ends March 26.

Frankfurt

Schirn Kunsthalle, Am Römerberg 6. The Surrealists. Around 500 paintings, drawings, photos and objects are on display with works by Masson, Tanguy, Man Ray, Tanning and Ernst. Until Feb 18.

Bremen

Kunsthalle, am wall 207. Gotthard Graubner: Painting on paper. 130 watercolours, gouaches and pictures with a mixture of technique by the 59-year-old artist are exhibited until Feb 18.

Hamburg

Kunsthalle Glockengiesserwall. Ian Hamilton Finlay with works from the French Revolution. Ten of the Scottish painter's projects including reliefs and 40 graphic works are on show until Feb 28.

Hanover

Kestner-Gesellschaft, Warmbüchenstrasse 16. A retrospective of the Spanish painter Joan Miro (1893-1983), with around 120 works on loan from Spain. Ends Feb 19.

Munich

Städtische Galerie im Lenbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works from 70 private and public collections. After the Kirchner and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Vienna

The Kunsterlaus is host to Mercury and the Muses, a vast collection of artifacts, documents and objects from Leipzig, on display for the first time. The collection, ranging over four millennia, contains treasures from Ancient Egypt, Greece and Rome. The exhibition also contains European painting from the middle ages to the 19th century, including works by Caspar David Friedrich. Ends Feb 18.

New York

Pierpont Morgan Library. The library's superb collection on Gilbert and Sullivan, including autograph scores and libretti, letters and memorabilia, is the centrepiece of this exhibit, the most comprehensive ever mounted on the Vicortian operetta masters with more than 400 items on view. Ends Feb 18.
New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.

Washington

National Gallery. Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.

Tokyo

Tobacco and Salt Museum, Shibuya. The Way to Narita. Not Tokyo's international airport, but the nearby Shinsoji Temple, a major destination for pilgrims for many centuries. The exhibition features ukiyoe woodblock prints by Hokusai and Hiroshige, who date from the period when this pilgrimage was at its height. Closed Mondays.
Suntory Museum. Mission to Rome. In the early 17th century a feudal lord from northern Japan despatched a mission to the Pope asking Christian missionaries to come to Japan. This fascinating exhibition documents the failure of the delegation and the subsequent ban on Christianity that was to last over 200 years. Closed Tuesday.
Riccar Museum. Ukiyoe woodblock prints of the Meiji Era. Representative works from the late 19th century, when the woodblock print achieved its final flowering as western influences finally began to penetrate Japan's two century isolation. Closed Tuesday.
Japan Folk Crafts Museum. Woodblock prints by Shiko Munakata, a pioneer of the arts and crafts movement in Japan. The museum, in old farmhouse buildings, is a treasure-house of the traditional arts. Closed Tuesday.

Arts Council to the rescue

The Arts Council has dipped deeply into its contingency fund in order to bale out the English National Ballet and the English National Opera. Both companies faced severe financial problems following the decision of Westminster City Council to cut its grants to them, which had both exceeded £1m, by 90 per cent for 1990-91.

The Arts Council will make good this sum of just over £2m, and add more to cover inflation, at the expense of a huge dent in its emergency fund of £2.6m. It tried hard to persuade Westminster to continue its support but pleading poverty from the changes in the business rate, and the Poll Tax, the City Council refused. It had increased its aid to make good the funding of the abolished GLC, but has now reduced it to below its traditional level. Its excuse is that the two companies serve a national audience rather than the borough's citizens.

Peter Palumbo, chairman of the Arts Council, had to move swiftly because the ENB in particular was under crippling pressure from both sponsors and creditors. In the last few weeks the company has lost the services of both its artistic director, Peter Schaufuss, and its general administrator, Richard Jarman. The withdrawal of most of Westminster's funding put its future in jeopardy.

There was more good news for ENB yesterday. The Arts Council announced that its basic grant to the company for 1990-91 would be raised by an impressive 12 per cent to £1.546m and Ladbroke said that it was putting up over £50,000 to sponsor its 40th anniversary gala which the ENB is holding at the Royal Albert Hall on March 27.

The future of ENO was never in doubt but if Westminster's money had not been made up it would have been forced to cancel many new productions next season. It was always on the cards that the Arts Council would come to the aid of two major companies who faced financial problems quite outside their control: but it does mean that it has limited resources for any more rescue acts.

Another fillip to the London dance scene came yesterday with the news that London Ballet Theatre has taken an option on a site in Westminster Bridge Road. This could form the basis of London's first specialist dance house, to be operated by the management company Hetherington Seelig. Two other organisations are seeking accommodation for dance – Sadler's Wells is eyeing the adjacent site which may come available if Thames Water moves out of its Islington HQ and the Entertainment Corporation, which tried to build on the South Bank, is still looking.

Antony Thorncroft

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Thursday February 15 1990

Arithmetic of German unity

IT IS no longer "if", hardly even "when". Although there is still a month to go before East Germany's first free elections, everyone now takes it for granted that they will produce a government willing to negotiate unification. The internal aspects will be negotiated between the two German states. For the external aspects, including those that affect the security of neighbouring states, they will be joined by the Four Powers – which defeated and occupied Germany at the end of the Second World War, and which remain legally sovereign in Berlin as well as retaining, in the absence of a peace treaty, some residual responsibilities for Germany as a whole.

Mr Genscher, the West German foreign minister, said yesterday that the results should be ready in time to be ratified by the summit of the Conference on Security and Co-operation in Europe "before the end of this year" (probably in September or October). If that timetable is adhered to it seems quite likely that in December East Germans will find themselves voting again, this time in elections for the federal parliament of a united Germany: a prediction which, only four months ago, would have been greeted as the purest fantasy. History has been telescoped, not by a burning desire for unity in either part of Germany, but by the impossibility of keeping the German Democratic Republic in being as a separate economy, once freedom of movement between it and the Federal Republic had been conceded.

Public opinion

German public opinion has been understandably sensitive to any hint that the Four Powers might presume to settle the destiny of Germany among themselves. But West German political leaders have also recognised that German unity "does not concern Germans alone"; and have evidently come to the conclusion that the Four Powers constitute a convenient representation of those others whom it does concern, and therefore a suitable negotiating partner once they accept the principle of unity – as all four now do.

Only one country is audibly unhappy, or at least uneasy, about this procedure. The Polish prime minister, Mr Mazowiecki, said in London yesterday that Poland wants "to be present wherever the security of Germany's neighbours will be discussed". "Our security matters," he added, "cannot be settled by proxy for us." Clearly he will not be content to be one of 35 heads of government to whom the agreement negotiated by the "two plus four" is presented for rubber-stamping in the autumn.

Uncertainties

His concern is understandable, and Poland's special interest should be recognised, given the abiding legal and political uncertainties about the Polish-German frontier – although there is no reason to think that this issue will be a sticking-point in negotiations, since both German states accept that the frontier should stay where it is. (Mr Genscher reaffirmed on Tuesday that "unity" concerns only the present territory of the two states plus Berlin.)

The main international issue that *does* still have to be resolved is the alignment of the new German state. The Soviet foreign minister, who last week showed interest in the proposal that it could be part of Nato (so long as Nato forces were not deployed in East Germany), seems this week to have reverted to ruling that out.

He is unlikely to insist on neutrality, which is opposed not only by the West, including all the main West German parties, but also by Poland. He may, however, take up Mr Mazowiecki's suggestion that Germany should be "part of a general European system".

Mr Mazowiecki seemed to envisage this system as compatible with the continued existence of the two alliances, since he predicted that both Nato and Warsaw Pact troops will continue to be stationed in different parts of Germany. But the Soviets may be tempted to bid for the support of German public opinion by suggesting that the new system be formed through the dissolution or merger of the alliances.

If so, the "two plus four negotiations" may prove the hardest test to which Nato's solidarity has yet been put.

Clean bill for petrol prices

THE Thatcher Government's decision to refer the petrol retailing activities of the big oil companies to the Monopolies Commission was more an act of political appeasement than the response to abuse.

For historical reasons, petrol prices have been invested with political significance which would seem extremely odd if applied to other staple commodities, even food. One of the reasons is that more than 60 per cent of the price paid by motorists at the pump is tax; so petrol prices often hit the headlines in the annual budget ritual when excise duties are changed.

The fact that taxes represent around 118p per gallon compared with only 2p to 3p of oil companies' net profit inevitably means that any price reductions by the producers are heavily diluted in percentage terms by the time they reach the consumer. Partly for this reason, it has sometimes appeared that petrol prices always ratchet upwards and never fall. But this is an illusion of inflationary times. In the last 20 years, pump prices have remained surprisingly stable in real terms. Indeed, after adjusting for inflation, pump prices are now lower than they were before the first oil crisis in the early 1970s. In the past decade, oil companies have been making low profits on their refining and retailing operations.

Tactless behaviour

Yet some of the larger oil companies have behaved tactlessly. When they all raised pump prices together, and maintained them at the same level (to a fraction of a penny) for several months, the industry became tainted with a strong odour of collusion. The Monopolies Commission's third report on the sector in 25 years published yesterday says that public concern on this score was misplaced. With maybe a few local spillages, the industry has contained the forces of collusion.

A close alignment of prices may just as likely be evidence of an efficient competitive market as of monopoly abuse. The latest report shows emphatically that this is indeed the case. Although three large companies, Shell, Esso and BP control almost half the UK petrol market, more than 70 different wholesalers supply the pumps and motorists still have a wide choice of retailers including cut-price hypermarkets. These facts were broadly known to the Office of Fair Trading and to the Department of Trade and Industry before the Monopolies Commission started its voyage through the industry's dense archipelago of statistics. So was its journey really necessary?

Calming effect

The main purpose now appears to have been to calm down some over-excited presumptions generated in the media and among MPs in 1988 by the Parliamentary Select Committee on Trade and Industry. This body decided to investigate complaints by independent petrol retailers that the larger oil companies were behaving unfairly to tenants in their branded sites.

None of the parties to that earlier enquiry emerged with great credit. The independent retailers were seen to be grousing with rather thin evidence; some oil company representatives appeared arrogant and disingenuous. This spurred the MPs on to a chase without thinking carefully about the nature of their quarry. The select committee's report reflected a general presumption of unease, without finding sharp evidence to support it.

The Monopolies Committee has now done a good job in presenting the evidence and putting those earlier fears to rest. No harm has been done except the evaporation of a little public money, and perhaps some good: the oil companies, with their long past history of monopolistic behaviour, need to be chastened regularly by the whip-crack of competition policy out for exercise. Perhaps the enquiry will encourage them to be more open about their marketing activities, and particularly about the breakdown between marketing and refining profits which remain too obscured. The lesson for the seven sisters (now six) is that innocence should be unveiled.

ECONOMIC VIEWPOINT

Politics of the Mark

By Samuel Brittan

The announcement this Tuesday of a commission to establish details of a monetary union for the whole of Germany is obviously intended, as the Bundesbank President Karl Otto Pöhl remarked, "as a preliminary step towards reunification" and also to provide encouragement to residents of the so-called German Democratic Republic to remain on their side of the border.

Such gestures could, however, have taken a variety of forms. That it has taken the currency form is a triumph for currency competition in which Gresham's Law is reversed and good money drives out bad.

The process of good D-Marks driving out bad East German Marks started long before the breaching of the Berlin Wall. For the D-Mark has long existed as an unofficial shadow currency in East Germany. A visitor stepping through Checkpoint Charlie to East Berlin found it impossible to buy a concert ticket or pay a taxi driver in anything other than D-Marks; and it was difficult to spend even the small compulsory purchase of East German Marks before recrossing the Wall.

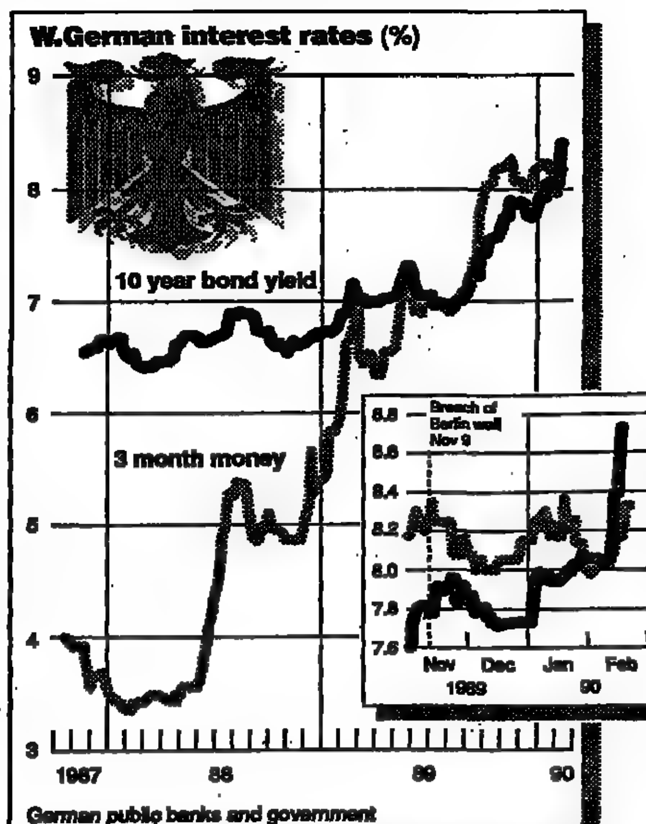
If that was so with the fierce barriers to the movement of people and money which then existed, what chance of survival did the East German Mark have when freedom of movement arrived? If the two governments had not made their announcement, it could not have been long before East German workers demanded to be paid in D-Marks.

The replacement of a distrusted currency by a superior one soon acquires a momentum difficult to stop. The Bundesbank might not like the rushing forward of monetary union. But at least it is now in charge of the process. For it is accepted that not only will the all-German currency be the D-Mark (and not any kind of merger of the two Marks) but that the Bundesbank will be the supreme German monetary authority. If the right conditions are met, even cautious experts think currency conversion could be almost complete by the end of the year.

Until recently the orthodox view was that a single currency could only come as part of a phased plan involving economic reform in East Germany, including the removal of myriads of subsidies and special taxes which distort the price structure. In fact, the two kinds of reform are inextricably intertwined. For attempts at structural change in communist countries have been undermined again and again by the role of the state central bank in providing unlimited finance for the "soft budgets" of both governments and state enterprises.

Even more important than the choice of exchange rate for conversion is the need for the Bundesbank to obtain control of the banking process in East Germany so that it is not called upon to create Marks to finance public and corporate deficits.

Mr Pöhl has emphasised the need for key West German banking legislation and institutions to apply in East Germany. An indication of the scale of the problem is that West German officials have not so far been able to work out even a rough estimate of the



German public banks and government guaranteed 10 year redemption yields Source: Datastream

East German budget deficit.

So worried is the Bundesbank by these problems that there may be a transitional phase when controls on credit and capital issues are applied to East German borrowers. Of course, such controls could not be durable.

When it comes to currency conversion itself the key variable is the level of real wages to be paid to East German workers. If they are too high – too near West German levels – they will be priced out of jobs and mass unemployment will ensue. Real wages need to remain lower than in the West if the region is to remain attractive to investors. Even if the conversion ratio is right at the macro level, many East German enterprises will have to close down under competitive conditions.

On the other hand if real wages are too low the two German governments will have failed in what is now their prime objective: staunching the migration drain to the West, running at 2,000 per day, equivalent to 4 per cent of the East German population per annum, and a much higher proportion of the active and well-trained. It is taken for granted that East German real wages will rise beyond what can be justified by market criteria and that West Germany will have to help out by subsidies, which may be tactfully known as credits.

The main relevance of the exchange rate is that it will set a floor to East German wages. For it is inconceivable that workers will accept less than their present pay rates, converted into D-Marks. In terms of purchasing power, the East German Mark is worth more than the five-for-one prevailing in the black market. On the other hand it is worth less than the one-for-one official exchange rate. Frankfurt experts would put the purchasing power exchange rate at about two-for-one.

The replacement of a distrusted currency by a superior one soon acquires a momentum which is difficult to stop

The 2.40 rate just agreed for the latest batch of official credits is as good a guess as one can make of the ultimate conversion ratio. Because of fears of the inflationary overhang, East German owners of savings deposits will not obtain so much if they insist on immediate encashment rights. They are likely, however, to be given the option of conversion at the standard rate if they accept for sums above a minimum size deposits frozen for a period or with some restriction on realisation.

Meanwhile the rise in German equities and the fall in bond prices is a reasonable, if exaggerated, reaction to improved growth prospects and higher inflation risks resulting from unification prospects. Mr Pöhl has remarked that the whole of East Germany *has the same economic* size as the single West German province of Hesse. But others add that it is as if Hesse had been hit by an earthquake. I have even jokingly been told that Britain had better join the EMS quickly so that sterling could provide an anchor for the system.

Nevertheless the Bundesbank genuinely believes that the present underlying annual inflation rate of 2¾ per cent need not rise to more than about 3 per cent. Estimates by Mr Gerry Holtham of Shearson Lehman Hutton support the Bundesbank by suggesting that the whole of the East German money supply, including savings deposits, is worth no more than 7½ per cent of the West German one if converted at the rate of two for one.

Both growth opportunities and the inflation risks come much more from economic unification than currency union. There will be an increase in the German growth rate due to the catch-up factor in the East – akin to the post-war catch-up with the US from which the whole of western Europe benefited.

The need to re-equip East Germany will act like any other force boosting investment relative to domestic saving. Part of the strain will be taken by a reduction in the West German current balance of payments surplus (now amounting to DM 135bn or just under £50bn per annum) which will free resources for investment in the East. It will also relieve the anxieties of those who worry about international payments imbalances.

A large burden is, however, likely to be put on the West German budget. On some estimates the West German deficit – which could rise from 1¼ to 4 per cent of GNP over the next few years despite arms cuts in both parts of Germany – seems a larger problem. But not even the Bundesbank is urging tax increases.

The scale of both public spending and private investment required to renovate the East German economy is bound to put upward pressure on interest rates – not only in West Germany, but in the European Community and the industrial world as a whole.

* * *

German monetary union is likely to have mixed effects on the wider project for European monetary union. A successful monetary union between two areas as diverse as the two German states should remove exaggerated fears about the difficulties of monetary union between countries much closer in their economic structure.

On the other hand the demonstration of the link between monetary and political union will alert anti-federalist politicians. My own guess is that the emphasis at the Community level will shift from the Delors stages to the EC committee of central bankers, chaired by the inevitable Mr Pöhl.

BOOK REVIEW

Facing an identity crisis

RESTRUCTURING THE GATT SYSTEM
By John Jackson
Royal Institute of International Affairs/Pinter Publishers, £7.95

There is something surreal about the General Agreement on Tariffs and Trade. After more than 40 years of policing world trade from its sombre grey headquarters overlooking Lake Geneva, it still does not officially exist as an organisation.

In contrast to its sister institutions, the International Monetary Fund and the World Bank, Gatt is an orphan. Its supposed parent, the International Trade Organisation, died soon after the Second World War because the US Congress refused to ratify its creation.

Gatt was pushed forward to fill the gap, but it is, as its name implies, an agreement and not an institution. It has no members, only what are quaintly termed "contracting parties." Worse still, it is an agreement still being applied provisionally.

All this is very irksome to Mr John Jackson, a law professor at the University of Michigan and a noted expert on the Gatt. The central thesis of this short work is that the time has come to give the international trading system a real constitution of its own.

This may sound like legalistic quibble. Yet experience shows that the law is important to international trade relations. World trade, which is approaching $3,000bn a year, is important to the economy of nearly every country. What lawyers have to say about the Gatt is often as worthy of attention as the pronouncements of those in the field of economics.

There are a number of forces at work, Mr Jackson argues, that could stretch beyond endurance the fragile legal fabric that binds the Gatt together. Among the most obvious is the prospective rush of membership – or more aptly contracting partyship – applications from the non-market economies of eastern Europe. There is also the ambitious agenda of the current Uruguay Round of multilateral trade liberalisation talks. Both, in different ways, risk fragmenting the Gatt system.

Mr Jackson argues that it will be impossible to accept non-market economies into the system without introducing special rules that will undermine Gatt's sacred principle of non-discrimination. The essence of non-market economies is that their pricing structure is artificial. That means Gatt rules on dumping and subsidies cannot apply.

So far, only a handful of state trading countries belong to Gatt and this problem has been fudged. With the application of China, and prospectively that of the Soviet Union, however, the balance is changing. Gatt cannot go on fudging without putting its free market purity at risk. It cannot be assumed in either country's case that admission to Gatt would be withheld until a free market is fully in place.

The Uruguay Round, meanwhile, is seeking to extend Gatt's authority to trade in services and the protection of intellectual property rights. But here again special rules will have to apply.

To sell its services abroad, a business must normally establish itself inside its chosen foreign market. There it will be subject to the same local regulations as its indigenous competition. Services traded thus cannot be dumped in foreign markets as if they were tomato paste. Yet Gatt is designed precisely to deal with products like tomato paste. It will need a separate body of rules for services and intellectual property.

Already, Mr Jackson argues, the codes agreed during the previous Tokyo Round to cover areas such as public procurement and trade in civil aircraft have tended to fragment the Gatt. They use different procedures for dispute settlement and are subscribed to by differing countries.

The choice is between a lax but universal Gatt embracing every nation and every form of trade, or more limited membership and stricter rules. With its inadequate legal constitution Gatt is drifting rudderless between these two extremes on a swelling tide of rising membership and expanding duties.

Mr Jackson insists that the Gatt system cannot lose sight of its universal objective. The world needs it to provide an interface between different systems, not just between the capitalist West and the non-market economies, but sometimes also between developed countries whose social systems differ, like the US and Japan.

The solution he suggests is the creation of a new umbrella institution with a few basic rules to which all could adhere. These would include obligations to consult, not to harm others and to abide by dispute panel decisions. Under it would come the Gatt and all its related parts whose membership would not necessarily be universal. The new organisation would take central control of some functions such as dispute settlement and trade policy surveillance.

The idea that such an organisation could be created in the Uruguay Round is "improbable," Mr Jackson admits. Yet his proposal is still worth considering because of the way in which it teases out the deficiencies of the current haphazard system.

This is a welcome book. It should be studied by all who have the best interests of the multilateral trading system at heart.

Peter Montagnon

OBSERVER

Treasury to the rescue

■ The National Gallery might have lost Van Gogh's Sunflowers, but it has kept Cézanne's "Allée à Chantilly". The Chester Beatty family owned both paintings and wanted them to hang permanently in the National Gallery where they were on loan.

Yet with *Capital Transfer* and Inheritance taxes to pay, the Chester Beatty executors were seduced by Christies to sell the Sunflowers at auction where it went to a Japanese insurance company in 1987 for £24.3m, a record at the time. The National Gallery tried to arrange a private deal, but the likely price at auction was way beyond its resources and anyway it had another Van Gogh Sunflowers.

This time executors and the Treasury agreed a value on the Cézanne which pays off another £3.4m of the family's tax bill. The painting might have made upwards of £6m at auction, but if it had not, there would have been tax to pay on top.

Settling tax bills by selling works of art is a little publicised option open to rich collectors. The Treasury does not advertise it much because it seeks to confine its tax losses through art to £10m a year.

The idea is that the heirs receive a sweetener equalling roughly one quarter of the tax they owe, and a museum or art gallery gets a treasure.

Other deals struck yesterday include a hoard of Anglo-Saxon coins destined for the FitzWilliam: a Kirkman harpsichord and a Constable sketch as yet unallocated; and a group of 20 modern pictures going to the gallery at Kendal. It is the first time modern art has been used to pay the taxman.

Bild's scoops

■ Bild, the best-selling West German daily which has adopted an increasingly nationalist tone since the dismantling of the Berlin Wall, is about to reveal the inside story of the fading Communist regime.

The paper has signed up Egon Krenz, East Berlin's state and party chief for a month and a half before he was *ousted in December, to write* his reminiscences in a dozen instalments over the next couple of weeks.

Krenz, a buoyant 52-year-old with the looks of an overgrown barrow-boy, has been out of a job since being expelled from the East German Communist party by the reformists now in charge. He can probably do with the handsome fees Bild is providing for the partly ghost-written articles – although it is not clear whether payment will be in D-Marks or East German Marks.

After sitting in the Politburo for six years – where he was latterly responsible for internal security – Krenz can be expected to outline in some detail the lifestyle of Erich Honecker and his followers. He will also have something to say about his role in attempting a palace revolt against Honecker a few years ago. Knowing Bild, it will be colourful and most of it will probably be true.

Meanwhile, the paper is having a go at what it calls Germany's new opponent: Margaret Thatcher, no less. It was she who "ordered the City to sell German bonds," according to Bild on Tuesday.

Federation man

■ John Owens is leaving the CBI to become Director-General of the Building Employers Federation. In terms of membership, this is the third biggest employers federation in Britain. The biggest is the National Farmers Union, and the second biggest the CBI.

Owens should know. He has

"Did you remember to add the Perrier?"

spent a lot of time working for federations. He was Director General of the Dairy Trade Federation for six years until 1983 when he moved to the CBI where he became Deputy Director General.

The recent work that he takes most pride in is sponsorship. Owens helped the CBI to rebuild its membership base and replenish its resources after the recession of the early 1980s. He then persuaded the members to put up money for the CBI's own campaigns: notably the 1992 Initiative.

The latter is supported by 10 companies who put up £1m between them so that the CBI can provide an effective information service. A staff of 41 people have so far produced 10 hardback books, and the telephone information service is open daily on 01 836 1992.

This is the CBI's Silver Jubilee Year. One of Owens's last tasks has been to raise £100,000 to sponsor 10 concerts to be given by the European Community Chamber Orchestra in cathedrals throughout Britain in December as a final celebration.

Owens is 57, paints and has had a role in promoting agricultural art exhibitions. Now perhaps building and art.

Not wanted

■ William Allen, head of the money markets division at the Bank of England, has just been to Poland to explain how to open a money market. The Poles concluded that they do not want to do it yet, but at least say they now know how.

Parachuting

■ Another parachutist has landed in Brussels amid a burst of sniper fire – from his own countrymen. The man in question is Peter Wilmot, who has been picked out from Customs and Excise in London and dropped by the UK Government into the key post of director general (DG) in charge of indirect taxation.

The sniping has come from British Eurocrats, not out of personal objection to Wilmot (known from an earlier posting to the British delegation in the EC capital), but on the principle that in-house candidates should, for career reasons, get first crack at DG jobs, one rung below that of full commissioners. In the share-out by nationality of top jobs earlier this year, a Union Jack had been put on the tax post.

The butt of British Eurocrats' criticism is their own government, which is also angling to parachute a Ministry of Agriculture man into a top EC farm job, and their senior commissioner, Sir Leon Brittan, who pushed his former private secretary at the DTI, John Mogg, for a top industry job. "That's the sort of thing you expect from the Latins, but not from a Brit," said one of the Brits in Brussels.

Mixed up

■ What happened to the dyslexic agnostic insomniac? He lay awake at night wondering if there was a dog.

Leaning away from the new Europe

Alan Friedman, until recently the FT's Milan correspondent, reflects on the past and the promise of Italian industry

Italian capitalism is approaching a crossroads. A series of domestic, corporate and political battles threaten to distract large sectors of the economy from the more pressing challenge of designing and implementing Europe-wide strategies for the 1990s.

Competition from non-Italian companies will have the greatest impact on the banking, car, electronics and other sectors that have traditionally benefited from direct and indirect subsidies and from trade barriers. What makes this prospect difficult for some Italian industrial leaders to accept is that it will be occurring in a nation that has in recent years taken great pride in the economic successes which have made it the fifth biggest industrial power. Italy's growth, urbanisation and industrialisation have been squeezed into the past two or three decades. That has left the country with little time to nurture the kind of institutions that in other advanced economies exist to safeguard the consumer, the investor or the fledgling entrepreneur.

Italians still prize personal power and contacts rather than the development of a meritocracy or a free-market business culture. Close links between industrialists and politicians benefit big conglomerates by offering tax breaks, access to subsidised credit from state banks and other special privileges, traditionally doled out by Mediobanca, the powerful Milan merchant bank.

Italy is a hard-working and prosperous nation of 57m people with an annual gross domestic product of more than $750bn. But the economy lacks a solid middle stratum of medium-sized industries of the sort known in Germany as the *Mittelstand*. Instead, enormous trading and marketing imbalances are to be found between hundreds of thousands of small family businesses at the bottom and, at the top, four enormous, oligopolistic conglomerates plus three politically vulnerable state holding concerns.

The forthcoming unification of Europe's internal market could serve a useful purpose by shaking up some members of the clubbier Italian financial and industrial scene. Unfortunately, the tendency of Italy's Big Four industrial-financial conglomerates – the Agnelli, Gardini, De Benedetti and Berlusconi groups – to lose precious time in fighting with one another for territory is increasing rather than diminishing.

For example, the contest between Berlusconi and De Benedetti for control of Mondadori, the large publishing group, is more than just a corporate struggle. It is also an indirect attempt by the old guard of Italian capitalism, backed by a coalition of politicians, including former Socialist Prime Minister Bettino Craxi and Christian Democrat Premier Giulio Andreotti, to defeat Mr De Benedetti. He has proved himself to be too much of an independent entrepreneur, too much of a believer in market democracy, too much of a "usurper" in a culture that is still dominated by a feudal mentality. Mr Berlusconi, a talented television mogul, is in this instance a willing collaborator of the politicians.

Another example of the resistance to change in Italian capitalism is the way that Mr Raul Gardini's Ferruzzi foods-to-chemicals group has behaved in recent months.

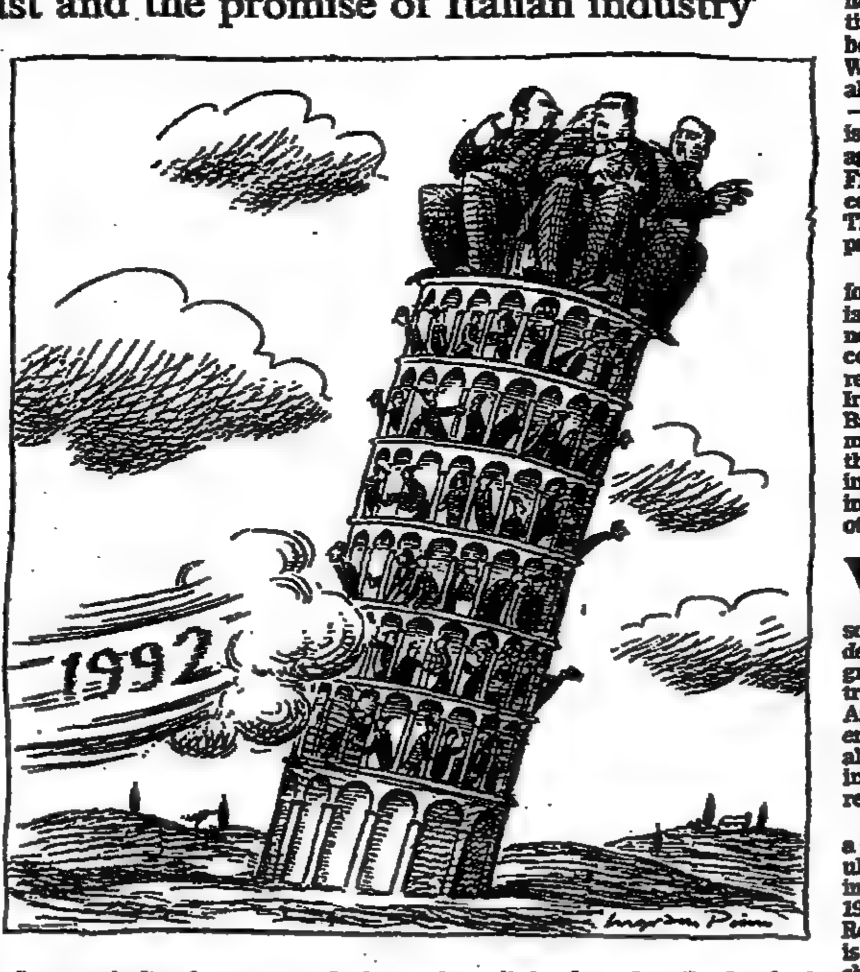
Three years ago, Mr Gardini appeared to be a harbinger of change. He took control of the Montedison chemicals company and then last year formed Enimont, an important chemicals joint venture with the state-owned ENI group. But Mr Gardini found that in order to stave off debt problems he needed to conform to the secretive business practices of the establishment. Campaigners for corporate reform in Italy say that this has meant the cause of shareholder democracy has been set back rather than advanced by the Ferruzzi group. Meanwhile, rather than developing into an internationally-minded chemicals group, Enimont has become a battleground on which Mr Gardini and the politicians each seek to obtain short-term advantage.

Together with the continuing inability of the Rome government to act on the nation's $100bn-a-year public sector deficit, these events do not bode well for the future. The dynamism and flair of Italian entrepreneurs is a palpable reality, but so is the incestuous and at times aggressive manner in which politico-corporate power is protected and enlarged.

The Agnelli family's IFI-Fiat group, for example, has for most of the century dominated the Italian economic scene. It is now the single most powerful force in the economy, representing nearly 5 per cent of the nation's annual GDP, a quarter of the capitalisation of the Milan bourse, 60 per cent of the domestic car market, two of the three most important newspapers, a workforce of 300,000 and political clout in Rome that would make the most influential Washington lobbyist turn green with envy.

The risk that Italy faces is that its four giant conglomerates, whose strategies are determined by strong-minded individuals rather than a cadre of professional managers, are so wrapped up in domestic, essentially feudal, contests for power that they may lose sight of industrial and 1992-oriented policies.

On the other side of the economic chasm lie the hundreds of thousands of small, industrious businesses. These are the precision engineers, textile and shoe makers, electronics firms, agricultural concerns and other enterprises which truly sustain the economy. The small entrepreneurs do not enjoy the privileges, tax breaks, access to soft loans and export credits or political clout enjoyed by the giant groups.



The third pillar of the Italian economy is represented by IRI, ENI and EFIM, the bastions of state industry in Rome that are all too frequently subject to manipulation, patronage and commission-taking by Italy's voracious political class. Professors Romano Prodi and Franco Reviglio, who served between 1983 and this autumn as chairmen of IRI and ENI, did much to bring these large holding concerns out of loss and to manage them along more private sector lines. With the return to prominence last year of Prime Minister Giulio Andreotti, the wiliest of all Italian old-style Christian Democrat politicians, it is clear that the hand of politics may again interfere in state industry.

Italy still has no anti-trust legislation, no law against insider trading, no Monopolies Commission or Takeover Panel, and no broadcasting authority. Legislation is slowly moving through parliament in each area, but special interests and their relations with politicians are likely to water down the significance of such laws.

The real stimulus for a more competitive and pluralistic form of Italian capitalism will almost certainly come from abroad. The arrival in Milan of foreign financial institutions such as Warburg, Rothschild, Schroders, Morgan Stanley, Goldman Sachs, Nomura and Daiwa will help some Italian entrepreneurs to escape the bear hug of Mediobanca. The importance of injecting more competition into corporate finance cannot be overstated.

Given the clubby nature of the Milan bourse and Italian high finance there has been a tendency to ride roughshod over the rights of small investors. The fact that one of the first takeover bids which offered minority shareholders the same share price as majority holders (the 1989 bid by Crédit Lyonnais for control of Credito Bergamasco, a private bank) came from a French state-owned institution speaks volumes.

The sectors of the Italian economy most likely to face genuine competition in the 1990s are those that have been most protected in the past. When Japanese competitors eventually penetrate the Italian car market – their current market share in Italy is 1 per cent against a European average of 11 per cent – analysts say that Fiat could stand to lose up to 10 percentage points of its domestic share. The same is true in other consumer product sectors.

The central bank is encouraging foreign institutions to enter the Italian market, to acquire local branch networks in order to stimulate a more competitive market. Although the recent scandal over $3bn of improper Iraqi loans by the Atlanta branch of Banca Nazionale del Lavoro (BNL) is more a political and military matter than a financial one, it highlights the inefficiencies, management gaps and inadequate controls also present in other state-controlled institutions.

While state banks may be inefficient, attempts to find a solution by privatising some of them is bogged down in a debate over whether the big industrial groups should be allowed to take control of these institutions. Mr Carlo Azeglio Ciampi, the central bank governor, has been attacked by industrialists when he has pointed out that industrial control of banks might result in a conflict of interest.

The problem is that Italy is not yet a genuine market democracy. The regulatory infrastructure that developed in the Anglo-Saxon world from the 1930s onwards is just being debated in Rome as it approaches the 1990s. This is not to say that the Italian model should be tossed away in favour of a UK or US system. What it does mean is that Italy is likely to lose precious time as it prepares for the post-1992 period, while at the same time undergoing a change in business practices.

Change is coming, and it is inevitable. But those who claim that pressure from European Community directives will force rapid change in Italy are probably ignoring Rome's chronic ability to violate directives and to delay.

The main cause for optimism is the unscientific premise that Italy is capable of quantum change when it is required. Change will come therefore when it becomes clear to the bulk of Italian industry and finance that the development of a fairer financial market is the best way to unlock the nation's entrepreneurial potential. For the time being, though, the old rules and the old games still apply.

LOMBARD

Wishful thinking about Japan

By Ian Rodger

US AND European manufacturers have been wringing their hands for years over how to keep up with their seemingly indefatigable Japanese competitors. Some wags have been suggesting lately that perhaps they have got the wrong idea. It may be that if they are patient enough, the Japanese will become as indolent as they are.

This heretical notion first emerged last summer when it became clear that a growing number of Japanese engineering graduates were taking jobs with banks and securities houses rather than with manufacturing industry.

Meanwhile, the new enthusiasm in Tokyo financial circles for merger and acquisition (M&A) activity appears to hold out the prospect that top Japanese industrial executives, like their Western counterparts, will soon find themselves more and more entangled in negotiations over takeover proposals, buy-out schemes and the like, with less and less time actually to run their businesses.

Another straw in the wind is the gradual weakening of ties between Japanese companies and their financial backers. The liberalisation of capital markets is putting the squeeze on banks' profit margins, making bank directors question the value of their portfolios of low yielding shares of client companies. As for the companies themselves, most are so flush with cash that they no longer need to cultivate friendly bankers – or listen to their advice.

According to Professor Michael Jensen of the Harvard Business School, this last trend may be a danger signal that Japanese companies are about to catch the same sort of ill fated acquisition mania that infected US and European companies in the mid 1960s. Prof Jensen makes the observation as a corollary to his main argument in a recent article that leveraged buy-outs are restoring owner and creditor control over the management of US companies. He claims that wide shareholder ownership of US companies has been destructive to corporate development because it cannot force managers to use a company's capital wisely.

"Ironically," he writes, "even as more US companies come to resemble Japanese companies, Japan's public companies are becoming more like US companies of 15 years ago." Prof Jensen might have added that they are also showing great enthusiasm for diversification. Steel companies have moved into semiconductors, home appliance makers dabble in resort development, and car makers build houses. Will big Japanese industrial companies come to the same sorry fate that befell the famous American conglomerates of the 1960s?

It is a tantalising thought, but it would be unwise to bank on it. Japanese companies are not perfect; they get into trouble from time to time just like their Western counterparts. But recent cases indicate that if the pressure on Japanese companies from banks has eased (shareholders never had much say), other pressures, both social and competitive, remain formidably strong in Japan's business community. Okuma Machinery Works, one of the top machine tool makers, became a bit lazy a couple of years ago and profits sagged. The company's trade union complained loudly about nepotism in the executive suite and, with support from the company's lead bank, it forced the Okuma family to relinquish control. At about the same time, Sumitomo Bank sacked its president in a blaze of publicity when earnings were not up to the group's aggressive standards.

As for diversification, Japanese industrial managers appear to approach it from a healthier viewpoint than some Western companies. Far from seeking to expand their own power and perks, they are more interested in preserving the competitiveness of their core businesses. In return for employees' support for rationalisation and automation plans, managers create new jobs for those displaced, and diversification is a way to go about it. Thus, the commitment to diversification throughout a firm is strong.

Those expecting Japanese companies to become sloppy may have a long wait.

LETTERS

European Commission's hostility to advertising

From Ms Angela Mills.

Sir, Lucy Kellaway writes ("Fighting to the last gasp," February 8) that the European Commission is not thirsting to ban advertising wherever it can and that fears on this scene are almost certainly overplayed.

Advertisers and representatives of all media throughout Europe think otherwise. Tobacco advertising may be in the front line today but, if the Commission succeeds in getting one "health protection" measure through under the guise of an "internal market" measure by abusing Article 100A of the Treaty of Rome, the door will be open for attacks on other product categories.

A proposal already exists to control branded pharmaceutical advertising throughout Europe. There is also a proposal which would effectively ban all claims made in food advertisements unless a directive says otherwise.

The European Parliament's Environment, Public Health and Consumer Protection Committee has already voted to go further than the Commission's proposed restrictions and has called for a total ban on tobacco advertising. Such a vote may be seen as an empty political gesture by the member states but many MEPs believe they have every right to ban advertising. Many have openly admitted that they would like to see severe advertising restrictions or bans on many product categories including alcoholic drinks, pharmaceuticals, financial advertising, toys, cars, food and so on.

There is little recognition of the positive benefits that advertising has for the economy and for the consumer or of its undoubted contribution to the completion of the internal market.

These hostile attitudes to advertising cannot be ignored and may go some way towards explaining our deep felt fears. The European Parliament may not have legislative power but its influence should not be underestimated.

These attitudes, together with the proposed limits on the freedom of expression in draft proposals on pharmaceuticals, tobacco and food constitute concrete evidence of new curbs on the freedom of commercial speech.

Angela C. Mills,
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An opportunity for Sir Bryan Carsberg

From Mr Tony Young.

Sir, In his interview with Hugo Dixon ("Freeing the phone networks," February 5) Sir Bryan Carsberg says: "The playing field . . . in telecommunications . . . is a multi-dimensional field that can be tilted in many different ways".

True, but why persistently tilt it against the key domestic telecommunications company (British Telecom)? Why continue to stack the odds against a British company that is striving to ensure that it is a major world player in the future, a task in which success can only be built upon a secure domestic network?

Mr Dixon raises doubts about Professor Carsberg's substantial, but in effect unaccountable, power over a vital sector of the economy – a point not made often enough. If Sir Bryan believes that one visit to a select committee and one incomplete civil law action in nearly six years constitute "very real limits to my power," then he inhabits a different world from the rest of us. Even when bolstered by the extremely spurious notion of "being accountable to the public through the media," Professor Carsberg's case holds little water.

Leaving aside concern surrounding the method of appointing the immensely powerful Director-General, one simple change for the better would be to adopt a more open system of regulation with information placed more completely in the public domain.

It is far from clear that the present arrangement serves us that well. Even Professor Carsberg admits that Mercury has failed to make a serious impact in telecommunications provision. Yet Oftel remains excessively concerned with establishing new competition (and duplication of resources) in the UK basic telephone network.

Moreover, Professor Carsberg seems determined to swathe new entrants in regulatory cotton wool, lest they be forced to face up to real competition. What Oftel seems unwilling to embrace is that blinkered pursuit of "competition" policy has become a major distraction from the long-term concerns of the telecommunications sector.

Nowhere is this better illustrated than in Oftel's continuing reluctance to advise the Government to revoke the so-called asymmetry rule where, unlike Cable TV companies, BT is prevented from providing television as well as telecommunications over its network. This restriction threatens to retard seriously the introduction of a broadband fibre optic network, the information infrastructure essential for the future.

In the November review of the duopoly, Professor Carsberg and the Government have an opportunity to gear regulatory policy in a manner which allows the UK to assume a position at the forefront of world telecommunications, both in domestic provision and international competition.

Tony Young,
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A health warning for company accounts

From Mr Swraj Paul.

Sir, Lex rightly states ("The narrow mind of the auditor," February 12) that after the Caparo v Touche Ross judgment, a company's report and accounts do not seem to serve much purpose from the investor's point of view.

During the long and expensive period in which Caparo has fought to establish just what duty auditors do owe investors, we have been heartened by the number of users of accounts and investment managers who have shared our surprise that auditors are not responsible for any conclusions an outsider might draw about a company's worth.

Now that the House of Lords has told users of audited accounts how little protection they have, we respectfully suggest that the Stock Exchange and the Securities and Investments Board should consider introducing a mandatory "health warning" on the front cover of public company accounts. Something like the small print at the foot of a stockbroker's note should do – "no liability is accepted whatsoever for any direct or consequential loss arising from the use of this document."

Swraj Paul,
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EC computer copyright rules

From Mr Robert Moreland.

Sir, Whatever lobbying is going on in the European Community ("Battle joined on computer copyright," January 24) most member states, knowing that "reverse engineering" is the route to copying, will want the directive on "the legal protection of computer programs" to forbid "decompiling."

The only real debate is whether or not an exception to this rule for genuine research or interface reasons should be left to the member states' discretion or that a clause similar to the UK "fair dealing" clause and within the scope of the wording of the Berne Convention should be included. The Council of Ministers is under no illusion that its objective will be to block any aspect of reverse engineering that could lead to copying.

The real danger is that this debate is drawing attention away from other important issues still to be resolved. In particular, as has been pointed out in both the opinion of the EC's Economic and Social Committee (for which I was rapporteur) and in the draft opinion currently before the Legal Affairs Committee of the European Parliament, the European Commission's draft fails to provide a definition of "originality" and proposes a term of protection not consistent with the Berne Convention.

There are also pressures to exclude protection for computer generated programs.

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FINANCIAL TIMES
Thursday February 15 1990

GERMAN UNIFICATION TALKS

Poland seeks security guarantees

By Robert Mauthner, Diplomatic Correspondent, in London

POLAND WANTS to take part in international consultations on German unification to ensure that its borders and security are guaranteed, Mr Tadeusz Mazowiecki, the Polish Prime Minister, said in London yesterday.

Mr Mazowiecki was speaking at a press conference after a three-day visit to London, during which he and Mrs Margaret Thatcher, the British Prime Minister, discussed the problems arising from German unification.

While not rejecting the formula agreed by the two Germanys and the four wartime Allied powers in Ottawa on Tuesday for joint consultations on German unification, the Polish Prime Minister made clear that it fell short of meeting Poland's particular concerns.

"Obviously we want to be present whenever the security of Germany's neighbours is discussed. Our security cannot be settled by proxy for us," he said.

There were no indications yesterday that the six members of the German unity consultative group were inclined to include Poland in their formal framework, but British officials indicated that ways would be found of consulting Poland.

It was stressed in London that the statement issued in Ottawa at the end of the Nato and Warsaw Pact Foreign Ministers' conference specified that the group of six would discuss the external aspects of German unity "including the issue of the security of neighbouring states."

Mr Hans-Dietrich Genscher, the West German Foreign Minister, suggested after talks with Mrs Thatcher and Mr Douglas Hurd, the British Foreign Secretary, in London yesterday that the structure for a united Germany could be in place by the end of this year.

Talks between West and East Germany, which would take place shortly, would be followed by a meeting of the four wartime allies – the US, the Soviet Union, Britain and France – to consider the outcome of the intra-German discussions. It would be desirable for the results of these meetings to be presented to the 35-nation Conference on Security and Co-operation in Europe at the end of this year, Mr Genscher said.

Mr Genscher denied suggestions that West Germany was irritated by reports of Mrs Thatcher's allegedly lukewarm, even hostile approach to German unity. "The Prime Minister has expressed support for German unity. It is an enormous encouragement not only for the government of the Federal Republic, but for Germans in East and West," he said. It was an "enormous encouragement" for the Bonn Government and for Germans in east and west.

Mr Hurd said that probably the single most important problem that needed to be settled by the group of six set up in Ottawa was a unified Germany's relationship with Nato and the Warsaw Pact. It was very important that Germany should remain a full member of Nato once it was united, he said in a radio interview. But it was "perfectly possible to grasp" that a unified Germany could remain in Nato, but have Soviet troops stationed on what was formerly East German soil.

This was not so very different from the solution envisaged by Mr Mazowiecki, who said that he did not favour a neutral unified Germany. Instead, he anticipated that Nato troops would continue to be stationed in the country's western region, while some Warsaw Pact forces would probably remain in the eastern half.

Euro-MPs back unification, Page 2; Editorial comment, Page 14

Polish Prime Minister Mazowiecki: security fears

Dutch may separate guilder from D-Mark

By Laura Raun in Amsterdam

THE NETHERLANDS is considering detaching the guilder from the D-Mark because of fears that inflation will be fuelled by monetary union between West and East Germany.

The Hague's move is the first public sign of a potential unravelling of the D-Mark bloc in which the guilder, Swiss franc and Austrian schilling closely follow the West German currency.

Mr Wim Kok, the Dutch Finance Minister, plans to make an official statement this week - perhaps today - after suggesting on Monday that severance of the two currencies was possible.

Some Dutch fear that inflation may be imported from Germany if its interest rates rise to underpin a D-Mark pressured by rapid monetary expansion, sparked by monetary union.

Dutch MPs plan to debate the issue as soon as they receive a letter from Mr Kok stating his position on the monetary, financial and economic implications of the German moves.

The Netherlands boasts one of the world's lowest inflation rates - expected to be about 1.5 per cent this year. Guilder strength and climbing West German interest rates had narrowed the premium in Dutch rates over German ones to about 35 basis points by yesterday.

On Monday Mr Kok noted that rising rates would hinder Dutch efforts to shrink the huge government budget deficit. But he also admitted that the Dutch economy stood to enjoy a windfall boost from faster economic growth in a united Germany.

Last month Mr Wim Duisenberg, the Dutch central bank president, acknowledged that Dutch interest rates might be cut independently of German ones but cautioned against early divorce between the guilder and D-Mark.

"Whoever wishes to reap the longer-term fruits of a sound policy will have to be prepared to take the bitter with the sweet in the short term, as embodied at present in the pursuit of a tighter German monetary policy," he said.

Mr Han de Jong, head of foreign economic research at Amsterdam-Rotterdam Bank, said yesterday that the guilder/D-Mark link should remain because higher German inflation would be no worse than that of some other European Community countries.

If Dutch interest rates lagged behind German ones, then inflation would be imported anyway, he argued.

Currencies, Page 36

UK makes concessions over Hong Kong

By John Elliott in Peking

BRITAIN yesterday backed down in the face of intense diplomatic pressure from China and agreed to a pace of democratic development in Hong Kong far slower than demands made by a wide body of opinion in the British colony.

The agreement will enable drafting of the Basic Law, which will form Hong Kong's mini-constitution after it returns to Chinese sovereignty in 1997, to be completed this week in Peking.

It will also allow for continuity – or "convergence," as it is officially called – of the colony's legislature through 1997, which should help bolster Hong Kong's fragile confidence.

However, the deal will be attacked by liberal campaigners in Hong Kong and others who will argue that the UK has not been prepared to stand up to Peking's hardline leadership in the wake of last summer's Tiananmen Square crisis. Britain will also probably be criticised for not being skilful enough in negotiations to win significant concessions from China.

Peking has removed from the law any reference to full universal franchise in the future and has only agreed that a third of the legislature should be directly elected in 1995 under British rule.

That third will "converge" through 1997 until the next elections in 1999 when the figure will go up to 40 per cent, followed by 50 per cent in 2003. This arrangement will enable the UK to introduce only 18 directly elected seats – 30 per cent of a total of 60 – next year when the colony will experience its first direct elections.

News of the deal came yesterday morning when Mr Li Hou, secretary general of the Peking-dominated Basic Law Drafting Committee, said: "Obstacles on the question of convergence have been basically eliminated."

The figures have been agreed in lengthy negotiations in Peking between Sir Alan Donald, the British ambassador, and the Foreign Ministry. The post-1997 arrangements are expected to emerge today and tomorrow at the final sessions of the drafting committee. The 1991 and 1995 plans will probably be announced later in London.

Peking will claim that it has introduced significant concessions because it has agreed that an electoral college needed for partial indirect elections in the 1995-99 period can be set up under British rule and continue through the 1997 changeover. It is also watering down plans for two-tier voting which reduces directly elected members' power. Now, two-tier voting is expected to apply only to private members' bills.

There is also expected to be an increase from 15 per cent to 20 or 25 per cent in the number of legislative members allowed to hold foreign passports. This limit was introduced last month by Peking as a protest against Britain's plan to give passports to up to 225,000 Hong Kong people.

But none of these concessions dramatically affect the working of the legislature and they all relate to points which Peking has introduced as anti-democracy bargaining ploys late in the drafting process.

The UK, on the other hand, has backed down from support it gave after last June's events for 40 per cent (25 seats) of the legislature to be directly elected in 1995 and 50 per cent in 1999. It will argue that it has done this because support in Hong Kong for rapid political developments has dwindled.

Democracy squeezed out in debate, Page 4

Perrier to withdraw and destroy world stocks

Continued from Page 1

"A human error has been committed. It has been localised. It has been corrected," Mr Leven said. He stressed repeatedly that the Perrier spring itself was as pure as ever.

The full direct cost of the crisis would be taken against the 1989 accounts, which had been expected to show profits up some 30 per cent on the previous year's Ffr1bn after-tax figure. Turnover in 1988 was Ffr15bn, of which 54 per cent came from sales of mineral water.

Perrier would be able to cover the cost of the recall from profits from purely financial operations, Mr Jacques Vincent, vice-president, said. Perrier's directors argued that their decisive action would, if anything, improve the product's quality image, though analysts argue that equally this presents a good opportunity for competitors, like BSN, which controls the big selling Evian and Badoit brands.

The US Food and Drug Administration first asked Perrier to check its water in the US – which accounts for roughly 15 per cent of sales – on February 2, but it was not until last weekend that the group received the full results, showing benzene of between 12.3 and 12.9 parts per billion, as against the FDA's allowable limit of 5 parts per billion.

Subsequent tests found traces of benzene in some of the French bottling lines and in deliveries in Japan and Europe. Independent medical experts called in by Perrier said even stocks being scrapped posed no real danger. Small amounts of carcinogenic substances could in any case be found in all kinds of food and drink, said one.

In a sign that anxiety is present elsewhere in the French mineral water industry, Vittel announced that it had recalled 500,000 bottles of Hepar mineral water since mid-January. A sample of 2,000 to 3,000 bottles, all sold in France, had been tainted by a coal filter, but tests showed no danger.

WORLDWIDE WEATHER

		Y'day midday °C	°F
Ajaccio	C	16	61
Algiers	S	22	72
Amsterdam	C	7	45
Athens	S	15	59
Dallas †	C	[illegible]	[illegible]
Dublin	Dr	[illegible]	[illegible]
Dubrovnik	C	11	52
Edinburgh	F	4	39
Majorca	S	20	68
Malaga	S	18	64
Prague	S	3	37
Reykjavik	F	0	32
Rhodes	C	12	54
Rio de Janeiro		—	—

C-Cloudy, Dr-Drizzle, F-Fair, Fg-Fog, H-Hail, R-Rain, S-Sunny, Sl-Sleet, Sn-Snow, T-Thunder.
† Noon GMT temperatures

Early EMU talks likely

Continued from Page 1

German process on the European Monetary System.

An early start to the EMU negotiations would also reopen abruptly the awkward political decision as to when Britain should meet its commitment to take sterling into the European Monetary System's exchange rate mechanism.

There is little confidence in Whitehall, however, that the Government could block the Franco-Italian initiative if it was backed by a majority of EC states. At last December's Strasbourg Summit, Mrs Margaret Thatcher, who strongly opposes proposals for a single European currency and central bank, voted against the convening of the conference.

She was forced to concede, however, that Britain would attend to present its alternative plan for a system of "competing" currencies in the Community.

The call for a special EC summit after the East German elections on March 18 which was launched on Tuesday by Mr Jacques Delors, the Commission President, has caused some irritation in Paris.

David Buchan in Strasbourg writes: Mrs Maire Geoghegan-Quinn, Irish minister for European affairs, said it was the Irish presidency's prerogative to call a special EC summit on Germany, not that of Mr Delors but indicated Dublin agreed with the likely need for such a meeting.

Commission opposes Air France takeover of UTA

By Lucy Kellaway in Brussels

THE European Commission has decided to open formal proceedings against Air France over its takeover last month of UTA, which it believes to have clear anti-competitive implications.

Sir Leon Brittan, EC Competition Commissioner, had argued strongly that the deal should not be waved through, and yesterday persuaded his Commission colleges to send a formal statement of objection to the company.

Sir Leon said yesterday that the merger of the two French air companies "created a group which on the face of it would appear to be in breach of Article 86 of the Treaty of Rome." This article allows the Commission to intervene when a monopoly position is being abused.

The takeover, which gives Air France ownership of UTA and control of Air Inter, the French domestic airline, means that the combined group controls all but 3 per cent of the market designated to French companies.

This compares with Lufthansa's 80 per cent control of the German market and British Airways' 68 per cent of the UK market.

The statement, which spells out the Commission's view of the worst competitive damage the merger could do, demands a response from Air France.

However, it leaves open the outcome of the discussion. In theory, the Commission has power to order an unscrambling of the merger; alternatively it could suggest a deal along the lines of that agreed with British Airways and British Caledonian, which would require the merged group to shed some of its routes.

● Paul Abrahams adds from London: Sources at Air France said last night that the company had been surprised by the speed of the Commission's decision. They suggested that it was abnormal that Brussels should take only a month to decide to investigate the deal, when it had taken eight to decide to examine British Airway's purchase of British Caledonian.

Nevertheless the sources said the company remained confident of its judicial position. Mr Bernard Attali, the chairman of Air France, is expected to meet Sir Leon on February 19 to discuss the issue.

Japan hit by cost of oil imports

By Ian Rodger in Tokyo

JAPAN'S merchandise trade surplus was almost wiped out in January because of a customary seasonal slump in exports and a big rise in the cost of oil imports.

The surplus on a customs cleared basis before seasonal adjustment was only $342m, roughly a tenth of the $3.25bn surplus in January, 1989.

However, after seasonal adjustments, the surplus stood at $3.98bn, up from a revised $3.7bn in December, according to the Ministry of Finance.

Exports were down 3.8 per cent year on the year to $18.6bn while imports rose 13.4 per cent to $18.3bn. The trade surplus with the US narrowed slightly to $2.19bn from $2.97bn in January, 1989. The surplus with the EC tumbled 45.4 per cent to $887.1m.

Exports to the EC countries rose 2.8 per cent to $3.77bn, but imports jumped 41.2 per cent to $2.8bn.

The slower export growth was mainly because of sluggish vehicle exports, which slid 4.3 per cent, while imports of cars from the EC were 2.5 times higher than in January, 1989.

The other main factor in the decline of the surplus was the rise in crude oil prices. These crude prices averaged $18.50 per barrel in January, up 39.3 per cent from an average $13.28 a year earlier. The result was that even though the volume of oil imports was virtually unchanged from the level in January a year ago, the value jumped 40.7 per cent to $2.25bn.

The decline in the value of the yen also contributed to the weakening surplus. The ministry used an average exchange rate of Y144.57 to the dollar in calculating exports, down from an average Y125.88 a year earlier. Import value was computed on an average Y144.36, down from Y125.64 in January, 1989.

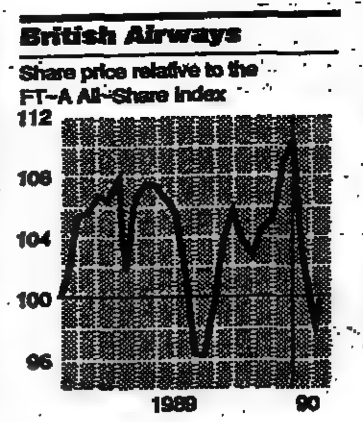
THE LEX COLUMN

A major upset from Abbey

Abbey National's mortgage rate rise is bad news for the Government as much as it is for mortgage payers. The near 1 point rise, which is likely to be followed by most building societies, will do little for Mr Major's battle to bring down inflation. The annual rate will probably push above 8 per cent in the second quarter and the Chancellor's fourth quarter target of 5.75 per cent already looks likely to be missed. That in turn will restrict Mr Major's options, not only in this year's Budget but in next year's pre-election run up.

Nor will the increase do anything for the Government's standing in the polls. Abbey's action could have put paid to the few flickering signs of recovery in the housing market. A growing number of voters cannot meet their payments or move when they would like. And the prospect for a retail recovery will be put back a few months, although the effect will be muted because of the annual rate setting cycle. Halifax, the UK's biggest lender, has already informed borrowers of its rates for the current year.

The fact that Abbey opted for the bad publicity, and for an increase greater than the 0.5 per cent which had been expected, indicates the extent of the competition in the savings market. It also shows that mortgage rates cannot be expected to stay below base rates for long periods at a stretch. This does prove that base rates are still a reasonably efficient mechanism for setting rates throughout the economy, but that for the moment will be small comfort to the Chancellor.



Hanson

If it were true that all the really important information about Hanson's 1990 operating results was contained in January's forecast of a 22 per cent dividend increase, it would make sense for the stock market not to bother too much with its first quarter earnings figures. All the more so given Hanson's well-known reluctance to give any divisional details, and investors' preoccupation with finding out about Hanson's plans for its 49 per cent stake of Newmont Mining, or for its next big deal.

So it is understandable that Hanson's share price should do nothing yesterday, on news of earnings per share up 11 per cent. But it may be complacent for the market to accept at face value Hanson's assurances about how well the year has started. Even before the purchase of ARC as part of Cons Gold, about 18 per cent of Hanson's pre-tax profits were dependent on the currently weak UK and US building markets. London Brick's problems have been evident for some time, but English China Clays' profits warning on Tuesday may have implications too for Hanson's UK aggregates side. It is hard to believe that Hanson has magical powers in this area, especially since it says it is still two or three months away from finishing its reorganisation of ARC.

County NatWest

County's offer of £30m compensation to Blue Arrow shareholders is a striking gesture from a company under threat of trial for fraud. But it should also be seen in the context of a row between the institutions and UBS Phillips & Drew, which in true Swiss fashion shows no signs of giving ground at all.

The offer of up to 30p per share, plus interest, falls into two parts: to everyone who bought in the market at the time of the rights issue: and to those with whom County itself placed shares. In total, the placing involved four times as many shares as those bought in the market; and P&D, as broker to the issue, did three quarters of the placing. On a pro rata basis, County's magnanimous gesture would land P&D with a bill for £40m.

As the DTI report makes quite clear, P&D was intimately involved with the whole deal from the outset. But it would seem odd if it should end up with more than half the cost. It placed more shares than County because that was its speciality, not because it was more culpable.

On the other hand, County is doing its best to placate the institutions on which its livelihood depends. By its apparent obduracy, P&D cannot be helping its own position in the market.

County's initiative is also a welcome bypassing of the law's delays in favour of natural justice. At a time when City scandals are back in the news with the Guinness trial, County can do itself no harm by following the example of Mr Gerald Ronson, who put his hand in his pocket without being asked.

Perrier

The Perrier affair is turning out to be a marketing nightmare. It is a highly priced product whose success has been built on the fact that it tastes better than an alternative which costs nothing. So it is hard to measure the impact on one of the world's best known consumer brand names of the decision to withdraw all its worldwide stock. Yesterday's 4 per cent drop in the Perrier share price came before the news broke. However, there is far more to the company than fizzy water and Perrier's own shares may be suffering unduly from the company's own secretiveness.

British Airways

Three years after privatisation and the view from the BA flight deck is still looking pretty good. Or is it? A 20 per cent rise in third quarter earnings looks impressive alongside the recent performance of competitors like KLM. However, strip out the benefit of aircraft sales and lower pension fund contributions and profits are down. No doubt BA will continue to benefit from these erratic items in future, but they are best ignored in judging how well BA's core business is doing.

Traffic continues to grow surprisingly strongly despite a marked slowdown in its two biggest markets; and the near 8 per cent rise in passenger yields in the first nine months is remarkable when compared with the 1.5 per cent growth between 1985 and 1989. So far these favourable developments have more than offset the substantial rise in fuel and staff costs. But it only needs a slight hiccup in traffic growth, or increased price pressure from competitors desperate to fill their new capacity, and talk of a repeat of this year's pre-tax profits of £300m plus could look optimistic.

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday February 15 1990

INSIDE

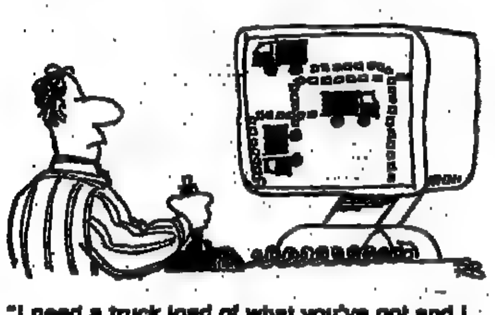
Look out Tokyo, here we come!

When Mr Allen Wheat, chairman of Bankers Trust International in London, cleared his desk last Friday, he hinted to colleagues that he might take this week off to go skiing. On Monday he telephoned the chairman of Bankers Trust in New York, Mr Charles Sanford, and quit. The press releases announcing that he was joining CS First Boston to run its Pacific subsidiary based in Tokyo were sent out two hours later . . . with the news that he was taking a dozen Bankers Trust colleagues with him. Page 21

Out of the labyrinth

London's labyrinthine tax and regulatory structures are about to unravel. The Department of Trade and Industry is shortly expected to make an announcement that will give unit trusts in the UK much more leeway over how they use the derivatives markets and allow futures and options funds to become established in Britain. Mr Michael Jenkins, left, chief executive at the London International Financial Futures Exchange, believes the effect will be a wave of new business into some contracts. Page 22

Digitally-controlled detours



"I need a truck load of what you've got and I need it yesterday." It's a familiar cry throughout industry. It is also something of a headache for the manager who has to work out which delivery vehicle is nearest to the customer and how to get in touch with the driver so he will make an unscheduled stop. Computer-controlled digital signalling and satellite transmissions are just two of the technologies that may help. Page 26

Planting the seeds of discontent

Malaysia's plantation workers held two winning cards in their hands when 60,000 of them went on strike this month, seeking a guaranteed monthly wage. Not only was the Government mindful of the approaching general election, but it needed to slow the drift of labour away from the estates, running at 4,000 workers a year. However, the commercial agriculture sector still faces severe problems, reports Lim Siong Hoon. Page 27

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Brooke Tool Eng	24	Leslie Wise	24
CBS	19	Mayne Nickless	19
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Caird Group	23	Nixdorf	18
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ERF (Holdings)	23	Record Holdings	23
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GC Flooring	24	Sumitomo Chemical	20
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Genl Consold Inv Tst	25	Toyota Motor	20
Guinness Mahon	21	US Prudential	21
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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Schering	803	+	12
Thyssen	291	+	2.5
Falls			
Bayer-Hypo	405	−	16
Porsche	940	−	10
Veba	437.5	−	3.5
Vereins-West	405	−	5
NEW YORK ($)			
Rises			
DeSoto	40⅝	+	1⅞
Exabyte	12⅞	+	⅝
Golden Poultry	9¼	+	1⅛
IBM	103¾	+	½
Falls			
ASA Ltd	59	−	2¾
UAL	131⅝	−	2⅜
PARIS (FFr)			
Rises			
Essilor	2700	+	30
GTM-Entrepose	1335	+	13
Printemps	600	+	14
Falls			
Industrielle	8100	−	220
Perrier	1413	−	60
Promodes	3730	−	70
TOKYO (Yen)			
Rises			
Nozaki Insatsu	1650	+	150
Oriental Yeast	2040	+	140
Ricoh Elec.	1220	+	90
Falls			
Mochida Pharm.	4520	−	380
Musashino Kogyo	2530	−	250
Shin Machine	2300	−	200

LONDON (Pence)			
Rises			
ASDA Grp.	109	+	4
Brit. Steel	137½	+	4½
Gestetner	213	+	6
Guinness	552	+	7
Hartwell	146	+	4
Next	100	+	5
Norcros	200	+	9
North'n Water	187	+	4
Priest Marians	175	+	22
Reuters	1046	+	6
Siebe	425	+	12
Standard Chart.	604	+	11
Thames Water	158½	+	5½
Utd Biscuits	334	+	4
Water Pack. Uts	1655	+	37
York. Water	185	+	5
Falls			
BICC	428	−	7
Brit. Aerospace	528	−	4
Eng. China Clay	370	−	16
Enterprise Oil	651	−	9
Eurotunnel Uts.	584	−	34
Sun Life	1360	−	28
THORN EMI	742	−	11

County NatWest in Blue Arrow payout

By Richard Waters in London

COUNTY NATWEST yesterday said it would pay £30m ($51m) to some of the Blue Arrow shareholders who suffered losses in the wake of the company's rights issue in September 1987. The decision follows unprecedented concerted pressure from institutional investors.

Attempts to persuade UBS Phillips & Drew (P&D), which along with County was an adviser to the £837m rights issue, to follow suit have foundered, raising the spectre of a bitter legal battle between P&D and some of its leading clients over the affair.

A plan for County and P&D to offer a joint compensation deal is understood to have foundered after the two sides failed to agree on how to share the cost.

Only 38 per cent of the shares in the rights issue were taken up. The two banks, with 10 of their current and former executives and a legal adviser, face criminal charges over the affair. County and P&D are alleged to have misled the market when placing a further 36 per cent of the issue with institutional investors. In addition, a remaining rump of shares split between County and P&D was not disclosed, leading to further allegations of market manipulation.

The County announcement follows pressure over several months from the Institutional Shareholders Committee, an industry-wide body of institutional investors. Similar pressure on P&D has failed to yield results and discussions between the two sides have been broken off.

An ISC summit meeting on Blue Arrow earlier this week at London's Barbican theatre, attended by more than 100 fund managers who had taken shares in the Blue Arrow placing, was told of County's decision, as well as of P&D's refusal to consider compensation ahead of the criminal trial.

The group has now set up a co-ordinating committee to consider P&D's refusal and to take legal advice on possible claims against the bank.

The County payment, coming a day after the bank said it was selling its own near-10 per cent stake in Blue Arrow at a £53.3m loss, is likely to take the total cost of the Blue Arrow affair for County to more than £110m.

It has already set up provisions of £64m in the past two years to cover potential losses. On top of the £30m compensation announced yesterday, it also faces a further loss from the fall in value of its Blue Arrow shares and the costs of paying the legal fees of its former executives in the criminal trial.

Mr Howard Macdonald, County chairman, said the compensation was being paid for commercial reasons and did not amount to an admission of liability by the bank. "We just want to put the whole chapter behind us."

County is offering to compensate anyone who bought Blue Arrow shares between September 29 (the date of the rights issue) and October 26, 1987. Between 2,000 and 5,000 investors, who bought 40m to 50m shares, are thought to be involved.

County is also discussing privately compensation with a group of institutions that bought 44m shares from it during the placing. Five of these, including MIM Britannia, took 80 per cent of the shares.

It is offering investors about 30p a share, with a further 10p interest, and has set up a £30m provision in its accounts to the end of 1989 to cover the cost.

County's offer pushes P&D firmly into the limelight. The latter handled three-quarters of the Blue Arrow placing and, taking County's offer as a guide, this would cost it £45m in compensation.

P&D is thought to have argued that County, as sponsor to the issue, should bear the lion's share of the costs, while County is thought to have offered to pay half. Failure to reach agreement has now led to County's unilateral decision to pay compensation in respect of about 40 per cent of the shares.

P&D refused to comment yesterday, saying the County offer had taken it by surprise and it needed to consider its response.
Lex, Page 16

Lord Alexander, chairman of National Westminster Bank: County's compensation is being paid for commercial reasons

BA profits jump 39% to £71m in third quarter

By Paul Abrahams in London

BRITISH AIRWAYS yesterday announced third-quarter profits of £71m ($121m), an increase of 39.2 per cent on the same period of the previous year. The result to December 31 was broadly in line with analysts' forecasts.

The figures included exceptional sales of a Boeing 747-200 aircraft and a BAC111, valued together at about £17m. They also took account of a period of non-payment of corporate contributions to the company pension scheme. This resulted in a gain of £14m; on the minus side there were £10m of costs associated with the rights issue for the proposed purchase of United Airlines of the US. The deal subsequently fell through.

The group's turnover for the first nine months of the year rose from £3.2bn to £3.7bn, an increase of 13.9 per cent.

Earnings per share for the period climbed from 24.6p to 28.7p.

On a fully diluted basis, taking account of the conversion rights for the convertible capital bonds issued in October 1989 for the unsuccessful United Airlines deal, earnings per share were 27.4p.

BA chairman Lord King said this was a good performance, reflecting buoyant traffic demand in the company's core business, with increased revenue yields. He said the company was increasing its capacity this summer and did not expect its load factors - the proportion of seats available filled - to decline.

He added that as far ahead as the company could predict - about 90 days - there had been no downturn in demand in the UK.

The chairman admitted that costs were rising, though he stressed they were not out of control.

The airline's operating costs in the third quarter increased by 13.2 per cent to £1.08bn, with the company's fuel bill increasing by 47.5 per cent.

Analysts said the increases in the price of fuel had knocked as much as £20m off profits in the third quarter.

Lord King said there were some costs that were beyond the company's control. These included landing fees at airports owned by BAA, which would increase by about 11 per cent this year, and air traffic control charges, which were likely to grow by some 40 per cent over the next 12 months.

The company's shares closed down 2p at 196p.
Lex, Page 16

Drexel shareholders react fast with write-offs

By Janet Bush in New York

COMPANIES with shareholdings in Drexel Burnham Lambert, which late on Tuesday filed for protection for its parent company under Chapter 11 of US bankruptcy law, yesterday reacted swiftly to this week's events.

Groupe Bruxelles Lambert, with a direct voting shareholding of 35.9 per cent and a fully diluted stake of 25.9 per cent, said that it was proposing a total write-off. In Geneva, Pargesa Holding, a Swiss investment company, said that it also proposed a write-off of its 13 per cent indirect stake in Drexel.

Meanwhile, Drexel continued to dismantle its business in what appeared to be a smooth operation. A White House spokesman said that officials continued to monitor developments but that the Drexel situation "appeared to be stable at the moment."

A Chapter 11 bankruptcy filing gives a company protection from its creditors and, in most cases, a chance to try to reorganise its business. However, it is barely conceivable that a securities house could emerge from Chapter 11 solvent because of the loss of confidence among investors and customers.

Drexel announced on Tuesday that its parent company was filing under Chapter 11 but that the broker-dealer subsidiary, the operating arm of the company which conducts its brokerage business, was not.

It is believed that the bulk of its 5,300 workforce will be laid off this week.

In its filing, Drexel said that it had more than $3bn in liabilities and more than $3.6bn in assets. It also provided a list of creditors.

The filing listed Taiyo Mutual Life as its largest creditor, saying that Drexel's parent company owes Taiyo, Japan's sixth-largest mutual insurer, $69.7m from a private placement. The third largest on the list is Banque Indosuez Paris to whom Drexel said it owed $30.5m in Eurocommercial paper.

Banque Indosuez Paris promptly denied that it was a creditor, saying that it had only acted as a broker in this transaction and was "in no way the final holder of this commercial paper."

Mr Michael Milken, former head of junk bonds at Drexel, is not listed as a creditor. He was ordered to sell back his stake in Drexel as part of the company's settlement with the Securities and Exchange Commission. In its indictment of Mr Milken last year, the US attorney's office in Manhattan valued that stake at more than $100m.

Among other top creditors named in the filing were Home Capital Services, Sumitomo Life Insurance, State of California Public Employees Retirement System – one of the largest US public pension funds – Bank of Ireland and Bank of China. The filing said that the total number of creditors would be more than 2,000.

Individual department heads at Drexel have been given permission to market their businesses to potential buyers.

All employee accounts have been transferred to one of its competitors, Smith Barney Harris Upham, a brokerage subsidiary of Primerica, a financial services conglomerate.

The accounts and positions of commodity futures customers have been transferred to other clearing members on the New York Mercantile Exchange.

On Tuesday, Drexel suspended equity trading and started selling its portfolio of corporate bonds – from investment grade to high yield – and also started liquidating a substantial position in US Treasury bonds.

US financial markets have taken the Drexel bankruptcy calmly, a reflection of the fact that Drexel had already become a relatively minor force.

The Treasury market rose strongly on Tuesday, partly on a flight to quality because of the uncertainties surrounding Drexel, and fell back only modestly yesterday.

After falling sharply on Monday as Drexel's troubles started to emerge, the stock market stabilised on Tuesday and was quoted with a marginal gain yesterday. The junk bond market continued to rebound. The market appears to have finally found a price bottom.
Yesterday's developments, Page 19

Drexel chief executive Frederick Joseph faces a tough time as he sees the company through Chapter 11

Troops prepare for the retreat

"We're all packing up our boxes and sending out our resumes," said a Drexel Burnham Lambert employee, one of the desperate thousands at Drexel's 20-storey headquarters on 60 Broad Street, just a stone's throw from the New York Stock Exchange, writes Alan Friedman in New York.

After the initial shock on Tuesday, when Mr Fred Joseph, Drexel's chief executive, got on the internal public address system (the "hoot and holler line" to insiders) to announce the firm's impending bankruptcy filing, yesterday was a day of immediate career planning for the troops.

"It's not quite so much that the bullets are flying over our heads, it's more that the lava is flowing down from the volcano and we are all scurrying to get out of its path," quipped John Keefe, a Drexel analyst with better-than-average prospects of finding a new job.

The lava was indeed flowing yesterday, with many Federal regulators and competitor firms on Wall Street sitting back with a kind of astonished delight at the collapse of the much despised Drexel, king of the junks and symbol of the wildest excesses of the 1980s.

Wags in New York were immediately predicting that the fallout from the Drexel disaster - unemployment for 5,000 and yet another blow to the already depressed real-estate market - was only the latest sign that Yuppiedom was on the way out.

In a week that saw Yuppie hero Donald Trump ensconced in a messy marital morass, glamorous boxer Mike Tyson KO'd in Tokyo and Perrier being pulled off the shelves because of benzene contamination, an entire class of Americans was left in bewilderment.

At Drexel the word of the day was "betrayal." Disgruntled employees began lobbing verbal salvoes at Mr Joseph and the Drexel management, not least because only last Wednesday assurances had been given that all was well and the banks were behind Drexel. However, many inside the firm thought the game was up by this Monday, when employees were told that the firm was not going to be able to roll over its commercial paper on Tuesday.

"If you can't roll over commercial paper then you're out of business," said one Drexel employee. None the less, the sting of Drexel's bankruptcy filing on Tuesday was sharp, partly because of a last-minute bunker optimism that swept the firm.

"This whole business is based on optimism, on the theory that the market will always go up," moaned an insider at Drexel, "but this is the one big trade that didn't work out."

BHP to buy Hanson iron stake

By Bruce Jacques in Sydney and Kenneth Gooding in London

BHP, Australia's biggest company, is to increase its domination of the country's iron ore industry by agreeing to buy the 70 per cent of Mount Goldsworthy Mining Associates it does not already own.

The stake was acquired last August by the UK trading conglomerate, Hanson, when it took over Consolidated Gold Fields for £3.3bn ($5.5m).

No details were given yesterday but analysts suggested that Mount Goldsworthy was worth about £35m. Mr Michael Coulson, analyst with Kitcat & Aitken, said that the operation had made losses in recent years and was at best marginally profitable.

Hanson's takeover of Gold Fields triggered a pre-emptive right over the Mount Goldsworthy stake by BHP, which is believed to have matched a bid from another leading Australian mining group.

Finalisation of the purchase would see the Australian iron ore industry – among the nation's top export earners – emerge as one of the few local resource industries substantially owned by Australian-based companies.

The "big four" iron ore companies, operating from vast mines in Western Australia's Pilbara region, have just won a 16 per cent price rise from Japanese steel mills and are looking to a near-record earnings year.

BHP also controls the Mount Newman iron ore operation through BHP-Utah Minerals International, while CRA controls Hamersley. North Broken Hill is the leading shareholder at Robe River.

The managing director of BHP-Utah Iron Ore, Mr Gavin McDonald, said completion of the deal was expected in March. The purchase contrasts with BHP's earlier decision to sell the bulk of its interest in the North West Shelf gas project, off the Western Australian coast.

"BHP has a high level of confidence in the long-term outlook for the iron ore export industry," Mr McDonald said. "The acquisition of Goldsworthy will complement its existing iron ore operations and will broaden its ability to benefit from the opportunities in this important market."

Analysts said Mount Goldsworthy had a relatively short life with only 20m tonnes of ore in its reserves which were being mined at the rate of about 6.5m tonnes a year. However, the company has a new deposit known as Area C with 2.5bn tonnes of ore which could be mined using most of the existing infrastructure. Mr McDonald stopped short yesterday of any commitment to develop Area C.
Lex, Page 16; Results, Page 23

INTERNATIONAL COMPANIES AND FINANCE

Daimler-Benz expected to surpass predicted earnings

By Katharine Campbell in Frankfurt

DAIMLER-Benz, West Germany's largest industrial concern, will report higher-than-expected group profits this year following a switch in accounting practice.

While operating profits at Daimler are expected to be little changed on 1989, a move to bring the company's accounting practices more in line with Anglo-American convention will lead to less conservative provisioning for pension contributions, the company said.

Group turnover for last year increased by 4.2 per cent to DM76.57bn ($45.66bn), Daimler said in a letter to shareholders. Its full results are due to be announced within the next couple of months. The group had forecast net profits substantially unchanged from 1988's DM1.7bn. But analysts yesterday were quick to point out that the changed accounting policies regarding pension liabilities could mean a one-off addition of possibly DM500m to the 1989 net profit.

Daimler is actively seeking a more international shareholder profile – with a planned listing in London and then in Tokyo this year – and the current ultra-conservative valuations have depressed equity ratios.

Without the contribution of Messerschmitt-Boelkow-Blohm, the aerospace company Daimler acquired last year and which will be consolidated in the 1990 results, the Deutsche Aerospace division increased turnover by 7 per cent to DM 7.775bn. Turnover at AEG, meanwhile, rose to DM 12.292bn.

It is from cars and trucks that some 75 per cent of Daimler's turnover – and more of its profits – emanate. Here, passenger car production fell to 542,000, from 560,000 units, during the year.

The highly competitive domestic market saw lower sales, while the US also again proved hard-going. Truck production advanced slightly to 261,000 units.

Hennessy rises 45% to FFr5bn

By George Graham in Paris

HENNESSY, the cognac division of the LVMH drinks and luxury goods group, increased net profits by more than 45 per cent last year, as sales rose 24 per cent to FFr5.07bn ($889.5m).

The company sold 35m bottles of cognac last year, 9 per cent more than in 1988, confounding its own expectations of a slowdown.

Sales grew even faster in the older and more expensive qualities of cognac, which for the first time accounted for more than half of Hennessy's sales.

Hennessy remains the market leader with a 26 per cent share of total sales of bottled cognac.

Together with Hine, another smaller cognac house owned by the group, LVMH has a world market share of 28.5 per cent.

Mr Gilles Hennessy, a member of the company's management board, said that 1990 would be for Hennessy what 1989 should have been: a pause, with sales remaining stable. It would continue to buy new barrels at a rate of 13,000 a year.

He said the company needed to control its rate of growth in order to allow it to build its stocks of matured spirits, which grew last year by FFr400m and are currently valued at FFr3bn.

It might, however, prove difficult to restrict sales, since demand in the Far East, the major market for cognac, continued to grow strongly.

The whole of the Cognac region shipped a record 157m bottles last year, 8 per cent more than in 1988.

Over the last ten years sales of cognac to Europe have declined by 18 per cent to 55m bottles a year, but in the Far East they have doubled to 42.8m bottles and in the Americas risen by 34 per cent to 83.1m bottles.

Sales in the US, however, are now stabilising in the face of declining consumption of spirits.

Kymmene fails to meet targets

EARNINGS of Kymmene, the leading Finnish forest products group, did not meet their target in 1989, the group said yesterday, writes Maggie Urry.

The group's sales rose by nearly 10 per cent to FM11.4bn ($2.9bn) from FM10.4bn, but gross profits were slightly down from FM2.3bn to FM2.2bn and the profit margin fell from 22 per cent to 19 per cent.

Oversupply in the paper market meant that use of capacity fell.

Telefonica advances 11%

By Tom Burns in Madrid

TELEFONICA, the Spanish telecommunications monopoly, which is 32 per cent state-owned and listed in New York and London, pushed net 1989 profit up by 11.2 per cent to Pta53.45bn ($531.5m). It expects to repeat last year's Pta55 dividend.

Earnings per share rose from Pta69 in 1988 to Pta74 and pre-tax profits from Pta85.21bn to Pta92.25bn.

Mr Candido Velasquez, Telefonica's chairman, said the 1989 net profit represented "only 5.2 per cent" of the company's equity, adding that in this respect he was not satisfied with the results. "I want to improve the profitability," he said.

Turnover was up by 16 per cent to Pta703.6bn in spite of a tariff increase last year of just 3.38 per cent, which was less than half the inter-annual inflation rate. The growth was due to a 5.6 per cent increase in telephone usage.

Maytag and Electrolux differ on Whirlpool

By Clay Harris in Cologne

MAYTAG and Electrolux, owners of the two largest vacuum cleaner manufacturers in the US, yesterday took opposite views on the rival floor care business put up for sale last week by Whirlpool.

Maytag indicated that its Hoover subsidiary did not intend to bid for the Whirlpool operation.

Mr Anders Scharp, president and chief executive officer of Electrolux, said yesterday in Cologne: "It is of interest to us to see if we can buy it."

Whirlpool's sales of vacuum cleaners through Sears Roebuck account for 10 per cent of the total US market. The company does not give any sales or profit figures for the vacuum cleaner business, which ranks third behind Hoover and Eureka, Electrolux's brand. Competitors estimate it has annual turnover of $100mn to $150mn.

Together, Hoover and Eureka have just over 50 per cent of the US market. Electrolux has not owned its own name in the US for many years, although the brand is used on domestic appliances, including vacuum cleaners.

The figure has fallen recently, however, because of Sears' introduction of a brand central trading format which resulted in Kenmore, the Whirlpool-made store brand, losing sales to other manufacturers' vacuum cleaners.

This is one reason Maytag is likely to count itself out of the race for Whirlpool's vacuum cleaner operation, according to Mr Frank Vaughn, Hoover's president and an executive vice president of the parent company.

Mr Vaughn, who was also in Cologne for the Domotechnica domestic appliances trade show, said the Whirlpool business would not bring its buyer a marketable brand name. Its sales through Sears were likely to decline and were low margin business in any case, he added.

He said Hoover had no use for Whirlpool's Kentucky manufacturing facility, which is to be included in the disposal. This view is shared by Electrolux.

Continuity with a difference for Iri

By John Wyles in Rome

MR FRANCO Nobili yesterday promised a period of "continuity" during his presidency of Italy's pre-eminent state holding company, Iri, and then proceeded to reveal some significant points of departure from the policies pursued during the reign of Mr Romano Prodi, his predecessor.

At his first press conference since he walked into Iri's Via Veneto headquarters in December, the 64-year-old manager, who has spent virtually all his previous career in the private sector, displayed a predictably different style from the fast-talking, wise-cracking Mr Prodi.

He addressed his mixed audience of journalists and top management of Iri-controlled companies for an hour before taking questions.

Though Mr Nobili, like Mr Prodi, regards his main priority as the need to equip Iri with the international strength to face the new challenges in Europe – which now includes eastern markets, as he made clear yesterday in requesting political risk credits insurance from the Treasury – his agenda and the underlying political tone were rather different.

Above all, this close friend of prime minister Mr Giulio Andreotti, was not even obliquely rude to the politicians, nor threatening to run against the political grain on such issues as privatisation.

On the latter point, he indicated that he was not prepared to go beyond joint ventures with the private sector, in which Iri would maintain the majority position. At the same time, he wanted to add as many Iri companies as possible to the 27 already listed on the Milan stock exchange and foresaw listings for some on foreign exchanges.

More generally, Mr Nobili seemed to regret there were industrial overlaps between Iri and the other two state holding companies, Eni and Efim, but he put the first responsibility for sorting this out on the managers of the three holdings, as though expecting the politicians to stand idly by. He appeared very concerned about the proliferation of companies with closely related activities in Iri, and promised a rationalisation according to the philosophy "we must unite to be stronger."

Given Mr Nobili's background, it is no coincidence that his first priority in this field is to rationalise the 150 companies in the Italstat construction empire headed by the politically influential Mr Ettore Bernabei, against whom Mr Prodi made little progress.

Mr Nobili's closest brush with the body politic was a well-argued complaint about the lack of generosity in government policies on tariffs.

Hoechst lifts Schwarzkopf stake

By Katharine Campbell

HOECHST, the West German chemicals concern, has acquired a 26 per cent holding in Schwarzkopf, which specialises in hair and other body care products, bringing its share of the company to 74.85 per cent.

Purchasing the shares, for an undisclosed sum, from other Schwarzkopf family members, a Hoechst official said the company was in discussions with Mr Hans Schwarzkopf, who owns the remaining 25.15 per cent, about acquiring a portion of his holding too.

Group turnover in Schwarzkopf this year will amount to about DM1.3bn ($775.2m). The company, which has 4,200 employees, has a particular strength in supplies to the hairdressing trade, which Hoechst says it wishes to expand in European.

At the moment Schwarzkopf's business is evenly split between Germany and the rest of Europe.

Hoechst says the company's product grouping complements its own cosmetic activities, which include Jade, a Frankfurt-based company, and Marbert, Düsseldorf.

With Schwarzkopf, the chemicals concern will have cosmetic sales valued at about DM1.5bn.

Hoechst's initial 48.85 per cent stake in Schwarzkopf extends back 20 years. It has been keen for some time to increase the shareholding.

● The domestic non-life group of Allianz Holding said net profit rose to DM325m in 1989 from DM319m in 1988. The pre-tax profit of the group, the biggest non-life insurer in West Germany, was about DM750m in 1989. The company gave no comparison.

Allianz said insurance profits last year were little changed, while the non-insurer business contributed more to pre-tax profits.

Premium income, which rose to DM9.9bn from DM9.5bn, was expected to rise to about DM10.4bn in 1990, the company added.

AGF agrees on I£107m for Irish insurance group

By Kieran Cooke in Dublin

ASSURANCES Generales de France, the French insurance group, is to pay I£107m ($67.8m) for the Insurance Corporation of Ireland, the fourth largest non-life insurance company in Ireland.

Insurance of Ireland was owned by Allied Irish Banks but collapsed in 1985 with an accumulated deficit of I£226m. The collapse of was blamed mainly on activities in the London reinsurance market.

The state appointed an administrator for Insurance of Ireland , who disposed of various non-core and foreign-based parts of the group. The Irish group reported an operating profit of I£12.4m in 1988, but the accumulated deficit stood at I£136m.

AGF, which is 75 per cent owned by the French Government, already has a 27.4 per cent shareholding in Church and General Insurance, another Irish insurance group. Irish Life, the state-owned group which is Ireland's largest insurance company, is the majority shareholder in Church and General.

There are indications that AGF and Irish Life will now seek to merge Insurance of Ireland and Church and General. There are reports that the Government intends to announce privatisation plans for Irish Life within the next few weeks.

Nixdorf to sell Irish factory

NIXDORF Computer, the loss-making West German computer group which was taken over this year by compatriot Siemens, is negotiating the sale of its Irish factory, which employs around 400 people, Reuter reports.

The plant, in Bray, is to start laying off one in four workers under the German parent company's sweeping rationalisation plans.

Ireland's Industrial Development Authority said: "There is no doubt that Nixdorf wishes to disengage from Ireland quickly."

Swiss employment agency fails to match forecast

ADIA, the big Swiss employment agency group which merged last year with Inspectorate International, said its combined net profit for 1989 will be less than the SFr240m to SFr255m ($41.5m) forecast, Reuter reports.

"Operating profits in the services sectors were in line with expectations," said Adia. "But the increase in interest rates, the drop in the value of the pound and the dollar and the general business slowdown in the UK and the north-east of the US will result in a pro forma combined net profit somewhat below the forecast issued last September."

Adia said pro forma combined revenue rose to SFr6.09bn from SFr4.99bn in 1988. Revenue growth was especially strong in personnel and security services, it said.

Computer leasing business was good in the US, but profits were not satisfactory in Europe. Adia said it expected sharply higher profitability in Europe this year.

Commodity operations in London wind down

By Deborah Hargreaves

DREXEL Burnham Lambert was yesterday winding down its substantial commodities operations in London as regulators stepped in to ensure the company does not take out new positions.

Drexel's presence was missing from trading pits across London's markets and although some Drexel traders continued to show up in New York and Chicago they found few parties to their trades. Most markets in the US and London were only accepting liquidation orders from Drexel's traders.

Drexel is an important player in the New York oil market and one of seven market leaders at the London Metal Exchange. The firm was transferring its client business to other trading houses yesterday and said it would not take up its ring-dealing seat – equivalent to a market-making position – on the LME.

It is the clearing houses in the US and the UK that carry the exposure for Drexel's trades as they stand as a guarantee between trading partners in the futures and commodity markets.

The International Commodities Clearing House in London said it was helping Drexel to manage its positions, which is seen by most market players as a euphemism for liquidating them. The London futures regulator is known to have a monitoring team at the firm to ensure it does not engage in new business.

The problems at Drexel are unlikely to affect private clients as the firm's client base is largely institutional.

Drexel is understood to have undertaken a fairly specialist business at the LME, where it transacted trades for the popular futures funds in the US.

Drexel is also pulling out of London's other commodity markets, including the Futures and Options exchange's automated white sugar market, where it was a key player among only 10 screen traders.

US regulators content to contain Drexel fall-out

By Janet Bush in New York

US REGULATORS decided to allow Drexel Burnham Lambert to fail, concerning themselves only with containing any potential ripple effect on the soundness on the financial system.

Officials from the US Federal Reserve and the Securities and Exchange Commission were alerted to Drexel's liquidity problems late last week when they discovered that excess capital was being moved into the parent company from its broker-dealer subsidiary.

At a meeting last Friday, which brought in representatives from the New York Stock Exchange, regulators ordered a halt to this transfer of capital.

The SEC, which is believed to have repeatedly asked Drexel to mark down the value of its junk bond portfolio and therefore played a part in precipitating the cash crisis, gave Drexel special permission on Monday to pay off $30m of commercial paper by syphoning off cash from the broker-dealer.

But on Tuesday it refused permission when about $150m in obligations came due.

Reports suggest that regulators did not try to arm-twist Drexel's commercial banks into putting up emergency funds to keep the company in business.

The relative equanimity with which regulators allowed Drexel to fail has prompted differing opinions. Some economists, such as Mr Bluford Putnam, of Kleinwort Benson Securities, believe the Washington regulatory establishment, long concerned about the economic consequences of the use of junk bonds and intensely critical of Drexel's methods in expanding the market, look on the failure, if not with spite, then with an element of glee.

Others believe that regulators had no obligation to save Drexel but only to control potential damage to the system.

A number of interesting points arise from the Drexel case. First, the decision to allow a big financial institution to collapse casts doubt on a long-held belief that "some firms are too big to fail."

Mr Rob Johnson, former chief economist for the Senate Banking Committee, said there was a "moral hazard risk" among regulators that, if they were seen to be prepared to save every firm in trouble, companies would behave in a riskier way.

Allowing Drexel to fail set a certain tone which would encourage prudence.

The second point to emerge this week relates to the fact that parent or holding companies of securities companies are not regulated, although they could have an enormous potential impact on the financial system if distressed. The fact that Drexel's troubles resided in the holding company will revive debate about this regulation loophole.

A third aspect is the fact that, since the 1987 stock market crash, regulators have clearly put in place procedures for swift and close co-operation with each other.

Creditors in emergency talks over $1.5bn debt

By Alan Friedman in New York

DREXEL Burnham Lambert's 12 leading US and Japanese commercial bank creditors, which are owed around $1.5bn in loan repayments, were engaged yesterday in what one senior New York banker termed "a 24-hour-a-day fire drill."

The banks pulled the plug late on Monday evening during a meeting with Mr Fred Joseph, Drexel's chief executive, when it became clear that the securities firm did not have the collateral to justify an emergency new loan of more than $400m.

On Tuesday morning, several hours before Drexel filed for bankruptcy, the firm said it had defaulted on $100m worth of loans. But, according to bankers involved in the Drexel affair, the actual obligations that came due on Tuesday were $150m.

This includes $90m worth of commodity-related funds, needed because Drexel customers asked for their collateral back, some $30m of commercial paper that needed to be rolled over and a further $30m in other short-term obligations.

Drexel's actual bank debt amounts to around $200m to $300m at the level of the holding company, and a further $1.25bn to $1.5bn at the firm's broker-dealer subsidiary, which has not filed for bankruptcy. Among the bank creditors are Citicorp, Chemical Bank, J.P. Morgan and several Japanese institutions.

One senior banker involved in the emergency action "fire drill" claimed that the bank loans were sufficiently backed by collateral in the form of securities, including Drexel's estimated $1.3bn of junk bonds.

What these bonds are worth is an open question, but the banker stressed that "none of us were lending to Drexel at face value anyway, so the collateral should be proportionate to the debt."

GBL to write off 45% stake

By Lucy Kellaway in Brussels

GROUPE Bruxelles Lambert, Belgium's second biggest holding company and the biggest shareholder in Drexel Burnham Lambert, is to write off the entire value of its 45 per cent stake in the troubled Wall Street firm, taking a loss of BFr3.2bn ($91m).

The decision follows Drexel's announcement that it is filing for bankruptcy protection, and will leave GBL with no exposure to the company.

It will no longer have to consolidate future losses and will have no further obligations. This came as a consolation to the market yesterday, which had feared that GBL might be forced to pay its share of Drexel's financial and legal difficulties.

The decision brings to an unhappy end an investment that accounted for nearly 50 per cent of GBL's profits in Drexel's hey-day in the mid-1980s. It was one of the best decisions made by Baron Leon Lambert, GBL's late founder, when he invested $40m in William D Witter, which became part of Drexel in the mid-1970s.

On the Belgian stock market the shares fell by BFr130 to BFr2940, having fallen nearly 7 per cent on Tuesday. However, analysts reckoned the reaction would have been much larger if it had not been for steady stake-building in the company by Belcofi, a Flemish investment company involved in 1988 in the battle for Société Générale de Belgique.

As a result of the write-off the consolidated profit of the company for 1989 will be cut almost in half from BFr7.5bn to BFr4.1bn.

In a clear bid to persuade its shareholders that business remains sound and growth prospects bright, the company yesterday announced a generous increase in the dividend to BFr182 a share, from BFr173.3 in 1988.

Analysts said the actual reduction in the company's asset value was about twice as large as the write-down to book value, as Drexel had accounted for about 7 per cent of the company's total portfolio.

The Drexel affair has cast a long shadow over the entire Belgian stock market for the past two days. On average prices have fallen by 3 per cent, and the shares in which GBL has a heavy presence, such as Petrofina, the Belgian oil company, have been hit particularly hard.

Standard Bank predicts growth

By Jim Jones in Johannesburg

STANDARD BANK, one of South Africa's two largest banking groups, lifted assets and profits in 1989 despite the intensifying squeeze which has curbed economic growth, boosted interest rates and led to increased bad debts.

The group's total advances increased to R29.7bn ($11.64bn) at the end of 1989 from R23.5bn a year earlier, total assets were R37.3bn against R29.7bn and the year's operating profit before tax rose to R530m from R406m. Dr Conrad Strauss, managing director, expects further real growth this year.

Advertising revenue lifts CBS

By Karen Zagor in New York

CBS, the US media group, yesterday reported a sharp rise in net earnings for the fourth quarter of 1989, reflecting higher advertising charges which helped the company's broadcast business.

CBS said net profits jumped 48 per cent to $59.5m or $2.31 a share, from $40.1m or $1.56 in the same period a year earlier. Net sales in the three months improved 12 per cent to $865.8m from $772.3m.

Income from continuing operations rose 49 per cent in the latest quarter to $2.33 a share.

The company said earnings were lifted by results from its broadcast group, where net sales advanced 12 per cent to $864.9m and profits surged 386 per cent to $60.3m from $12.4m in the same period of 1988.

For the year the New York company reported a 5 per cent increase in income from continuing operations to $297.1m or $11.54 a share. However, net income plummeted 74 per cent to $296.3m or $11.51 a share, from $1.15bn or $44.75 a share a year earlier. Earnings for 1988 were distorted by a one-time after-tax gain of $33.73 a share from the sale of CBS Records.

CBS said its broadcast group's sales grew 7 per cent in the year to $2.96bn, while operating profits for the business jumped 27 per cent to $294.6m.

CBS Television Network, the second biggest TV network in the US, reported improved operating profits. CBS said the unit benefited from improved demand from advertisers and ratings gains in entertainment, sports and news. The previous year, a television writers' strike increased CBS network programming costs.

Net corporate interest in 1989 was $180.7m, a decline of 2 per cent from a year earlier, reflecting a reduction in the average portfolio balance of cash and marketable securities during the year.

Aetna Life hurt by higher catastrophe loss

By Karen Zagor

AETNA Life & Casualty, the largest investor-owned US insurance company, yesterday reported a 27 per cent drop in fourth-quarter net earnings despite strong revenue growth in the period.

Mr James Lynn, chairman, said earnings were hurt by substantially higher catastrophe losses as the company felt the impact of several natural disasters and higher automobile loss costs, which were not matched by adequate rate increases.

Net earnings for the three months ended December 31 were $150.6m or $1.35 a share against $209.1m or $1.85 in 1988.

Revenues grew 20 per cent to $5.21bn from $4.35bn.

In 1989 as a whole, Aetna's net profits slipped 5 per cent to $676.4m or $6.02 from $713.3m or $6.25. Revenues grew to $19.67bn from $17.82bn.

The latest year's net included $109m or 97 cents a share of realised capital gains and extraordinary tax benefits of $37m or 33 cents from operating loss carryforwards.

Mayne Nickless interim climbs to A$65.7m

By Our Financial Staff

MAYNE NICKLESS, the Australian transport and security group, pushed equity accounted net profits 17.2 per cent higher to A$65.7m (US$49.7m) in the first half to December and is lifting its interim dividend by a third.

The figures contrasts sharply with those announced on Tuesday by its rival TNT where – hit by its half-ownership of the then strike-bound Ansett Airlines – net earnings fell 41 per cent to A$72m.

However, Mayne Nickless said the 1989 airline pilots' dispute "also had an effect and directly reduced profit after tax by an estimated A$3.5m."

Revenues rose to A$1.31bn from A$1.14bn. Domestic and North American results were described as encouraging but in the UK the Parcelline service suffered from expansion costs and Security Express was hampered by an increase in losses "due to armed hold-ups."

The interim dividend is 20 cents a share, up from 15 cents.

Previous earnings figures have been adjusted to reclassify some extraordinary items as abnormal items, in line with a new accounting standard.

INTERNATIONAL COMPANIES AND FINANCE

Foreign production soars at Toyota

By Robert Thomson in Tokyo

TOYOTA Motor, the Japanese auto maker, yesterday reported a 26.1 per cent increase in pretax profit to Y329.9bn ($2.3bn) in the first half to December. There were surges in foreign production and exports of components for its output abroad.

In announcing the results, company executives said that a site for a new factory in Japan was being considered, but production numbers had not been decided. The Ministry of International Trade and Industry (Miti) has warned car makers to temper domestic production plans for fear that exports of excess capacity could increase trade tensions.

Mr Tsomu Oshima, Toyota's vice chairman, said that, although Miti was "not wrong" in advising caution, Toyota was responsible for its own future and "we are not in a position to receive very minute instructions from government authorities."

Total vehicle production for the six months was 1.92m units, a fall of 1.6 per cent, although the number produced overseas rose by 104.7 per cent to 273,924 units and the value of component sales for overseas production rose 142.2 per cent to Y195.3bn.

The home market has been particularly strong; Toyota's sales there rose 9 per cent to 1.16m units. Exports for the period fell 15.3 per cent to 756,606 units, due to the impact of increased production abroad. Vehicle sales made Y2,520bn, up 0.3 per cent, while total sales, including those of industrial machinery and houses, rose 6.7 per cent to Y3,744bn.

Mr Oshima said that domestic demand should continue at current high levels, although "the overseas market for the Japanese automobile industry is likely to remain harsh, reflecting uncertainty regarding the future direction of the US and European economies."

Fletcher shows surprise growth

By Terry Hall in Wellington

FLETCHER CHALLENGE, New Zealand's biggest company, overcame sharp setbacks in its forestry, pulp and paper earnings to report a 9 per cent rise in net profits to NZ$344.1m (US$205m) for the six months to December.

The result was aided by a surprisingly strong performance from its New Zealand operations. The company had been expected to report flat earnings based on the prediction of Sir Ronald Trotter, the chairman, at the annual meeting that full-year earnings would be unchanged from last year's record NZ$653m.

Mr Hugh Fletcher, chief executive, told a news conference yesterday that the forecast still stood, because there were so many uncertainties. He later amplified this, saying that the result would be within 5 per cent of the estimate. The forecast was based on an expectation that the first half of the year would be better than the second.

Mr Fletcher said that the group was watching the troubled corporate scene in Australia closely for opportunities, and had examined buying Brick and Pipe, the building materials business owned by troubled entrepreneur Mr Abe Goldberg. This would be in line with Fletcher's aim to expand internationally in sectors in which it had strong representation and expertise at home.

However, the company would take a more conservative operating line over the next six months because of the shaky performance of Australasian stock markets. Fletcher was aiming for an investment grade rating for its core borrowings, to enable it to use funding sources other than banks.

Sales totalled NZ$6.8bn, up 24 per cent. Tax took NZ$105.3m against NZ$74.8m and extraordinary items produced a loss of NZ$17.4m against NZ$4.6m. The interim dividend will be an unchanged 11.5 cents a share.

Domestic operations provided 59 per cent of the earnings, compared with 48 per cent last year.

Mr Fletcher said the group had been surprised by the good performance and growth at home. He added that this was possibly because the company "has more confidence in New Zealand than other companies and had invested here when others had not." He expected that the economy would show small growth this year.

The company's huge involvement in international pulp and paper proved costly. Profits from the paper division fell to NZ$80.7m from NZ$97.6m and pulp to NZ$80m from NZ$101.8m. Mr Fletcher blamed falling newsprint prices, the strong Canadian dollar and disruptions due to plant modernisation.

He said that UK Paper, the recently acquired British high-grade paper producer, was likely to produce a "mildly negative" result for the full year after funding costs.

The New Zealand earnings were buoyed by a NZ$53m five-month contribution from Rural Bank, which Fletcher bought from the Government last year for NZ$550m. Mr Fletcher said the bank was still expected to contribute NZ$70m for the year after deducting interest costs.

Bid shunned at Chinese Estates

By Michael Murray in Hong Kong

MINORITY shareholders in Chinese Estates, a Hong Kong listed property company, yesterday voted against an offer from Evergo International, its parent, to take the company private.

They voiced dissatisfaction with the HK$2.80 per share offer price, which was pitched at a 50 per cent discount to estimates of the company's net asset value.

The move underlines a newfound willingness by minority interests in Hong Kong to scrutinise and oppose moves by majority shareholders.

The key to the failure of the Evergo offer was the opposition of Asia Securities International, the company controlled by Australian entrepreneur Mr Bill Wyllie which owns around 7 per cent of Chinese Estates. Mr Wyllie met Evergo executives earlier in the week to make clear his opposition to the offer price, and suggested a special dividend payment as a sweetener.

But the Lau brothers who control Evergo, which holds 58.3 per cent of Chinese Estates, refused to raise their offer, having lifted it twice since making the HK$2.50 a share bid in December.

The main asset of Chinese Estates is Windsor House, an office block bought for HK$1.6bn (US$205m) in September 1987. It was valued at HK$3.85bn last year. Speculation about interest in the property helped convince minorities to block the offer.

Sumitomo Chemical pre-tax rises 18%

By Robert Thomson

SUMITOMO Chemical of Japan yesterday announced an 18 per cent rise in pre-tax profit to Y43.4bn ($300m) on an 8 per cent increase in sales to Y601.7bn in the year ended December.

The company said sales of basic chemicals rose 3 per cent to Y387.4bn, despite reduced production resulting from planned maintenance of facilities.

Sales of speciality chemicals also increased by 8 per cent to Y196.4bn.

Cost of petrochemical production increased with a rise in prices of raw materials. The company said research and development expenditure also increased, although these costs were compensated for by strong sales, which were partly due to the inclusion of Y17.8bn in sales from an aluminium subsidiary amalgamated in October.

For the current year, the company expects sales of Y670bn, an increase of 11.4 per cent, and a pre-tax profit of Y45bn, up 3.7 per cent.

INTERNATIONAL APPOINTMENTS

Helmsman at Parsons to retire

THE US-based Parsons Corporation, a worldwide engineering and construction group, announced that Mr William Leonhard, chief executive and board chairman, plans to retire on May 15.

Mr Leonhard, who is 74, has led the company since 1974 and was responsible for its diversification into a wide variety of engineering fields which helped it weather the petroleum industry downturn of the mid-1980s.

He also took Parsons private in 1985 in what, at that time, was the largest employee buyout of a publicly held concern in US history.

The selection of a new helmsman will be made from the company's senior officers and the board will name the successor in March.

Among its many notable projects, Parsons designed and is still the general engineering consultant on the award winning 103-mile Washington, D.C., Metrorail system.

Parsons is responsible for about 70 per cent of the oil and gas facilities associated with resource development in Alaska's North Slope region. In Yanbu, Saudi Arabia, the company is constructing a multibillion dollar industrial city.

Former Dutch finance minister to be Unilever NV advisory director

UNILEVER NV, Netherlands segment of the Anglo-Dutch food and consumer products group, has appointed Mr H. Onno Ruding, 50, the former Dutch Minister of Finance, as one of two new advisory directors as from May this year.

Mr Ruding, however, who left government when a centre-left coalition took over from the previous centre-right administration in the Netherlands last October, will still be the Dutch Government's candidate to head a proposed new East European development bank, the Dutch Finance Ministry has confirmed.

The other new advisory director will be Mr F.H. Fentener van Vlissingen, 56, vice chairman of the supervisory board of SHV, the large privately-held Dutch energy and consumer goods concern.

The two new advisers will succeed Mr B.W. Biesheuvel and Mr E.P. Wellenstein, who are retiring.

★ ★ ★

MR ROBERT Malott, chairman and chief executive of Chicago-based FMC Corporation, one of the world's leading producers of machinery and chemicals for industry, announced the planned appointment from March 1 of Mr Robert Burt as president in succession to Mr Raymond Tower.

Mr Malott plans to recommend Mr Burt's election to the company's directors at a board meeting tomorrow.

Mr Tower is retiring from FMC after 44 years' service. He has been president and chief operating officer since 1977.

Mr Burt, 52, joined FMC in 1973 and moved through several management positions before becoming a vice president in 1978. He was elected in 1988 to his current post of executive vice president.

★ ★ ★

MORGAN Guaranty Trust of New York, the large banking subsidiary of J.P. Morgan, announced the appointment of Mr Benoit Dumont, vice president, as head of the commercial division at the Euroclear Operations Centre in Brussels.

He succeeds Mr David Burrows, senior vice president, who assumes new duties at J.P. Morgan's private banking division in New York.

The Euroclear System, operated under contract by Morgan Guaranty in Brussels, is the world's largest clearance and settlement system for internationally traded securities.

Mr Dumont joined Morgan Guaranty in 1978 in Brussels.

Adviser for Hong Kong Exchange Fund

By Michael Murray

PROFESSOR Charles Goodhart has been appointed to the advisory committee of Hong Kong's Exchange Fund, the government institution which manages the Colony's foreign currency reserves and intervenes to control the money supply.

He is professor of banking and finance at the London School of Economics, and was formerly chief economic adviser to the Governor of the Bank of England.

In 1983, he helped advise upon the establishment of the linked exchange rate system for Hong Kong, which has since tied the Colony's currency to the US dollar.

Raychem top posts

AT RAYCHEM, the US-based materials application specialist, Mr Robert Saldich will become president and chief executive officer on April 1.

Mr Paul Cook, the company founder, will relinquish the post of chief executive but remain chairman. Mr Robert Halperin will step down as president and chief operating officer to be vice chairman.

Mr Saldich, 56 and presently a senior vice president, has been with Raychem since 1964.

INTERNATIONAL CAPITAL MARKETS

Anger at Bankers Trust over defector to CSFB

Allen Wheat tells Stephen Fidler about his move to CS First Boston's Pacific subsidiary in Tokyo

When Mr Allen Wheat, chairman of Bankers Trust International in London, left the office last Friday, he hinted to colleagues that he might take this week off to go skiing.

At about 2pm London time on Monday, he telephoned the chairman of Bankers Trust in New York, Mr Charles Sanford, and quit. The press releases announcing that he was joining CS First Boston to run its Pacific subsidiary based in Tokyo were sent out two hours later.

The manner of the 41-year-old's departure from Bankers Trust, where he had worked for nine years, has enraged many of his former colleagues.

However, that was not the worst of it: Mr Wheat, closely identified with Bankers Trust's shift over the last nine years from a retail bank to a highly-reputed merchant banking operation, was taking a dozen colleagues with him. Six of Bankers' London team had defected, with the rest moving over in Tokyo.

The view of competitors was that CS First Boston had carried off a coup in stealing the highly-regarded Mr Wheat and a strong team, with skills in long-term financing, capital markets and the derivative products area, with particular strength in equity-related products.

Part of Mr Wheat's job will be building a worldwide swaps operation. Mr Jack Hennessy, CS First Boston's chairman, said: "The global swaps and derivatives business has been a missing link in tying our group together."

Moreover, the move looks to be a severe setback to Bankers Trust's worldwide merchant banking operation. In spite of its lack of a strong presence in the underlying equities business, Bankers Trust built itself a special niche in, for example, covered warrants and other innovative and complex financings.

It follows a damaging blow to the other side of its business in London, following from the financing troubles of Magnet.

> Bankers Trust is learning the truth of the cliché that a merchant bank's most important assets are its people; and they can always choose to work elsewhere.

The kitchen group undertook last year a large leveraged buy-out, structured by Bankers Trust, which came unstuck in months.

The bank, viewed as having been blinded by the lucrative fees to the risks of bringing US-style financing techniques to Europe, has already had to put in place provisions for its loans to Magnet.

Mr Wheat said yesterday that there was no "team" defection to CS First Boston. His move will give him a guarantee for one year that he will equal last year's salary at Bankers Trust, plus a bonus, presumably plus – as a member of the CS First Boston group executive committee – a share in the firm's profits.

He is known as an individual who commands close loyalty among colleagues. He hired many of the others who are moving, including Mr Chris Goekjian and Mr Brady Dougan, managing directors of long-term finance in London and Tokyo respectively.

Given his background, CS First Boston's strategy in the far East becomes clearer. It has taken 18 months since its corporate reorganisation for it to announce a new head for its Asian subsidiary. Informal discussions between Mr Wheat and Mr Hans-Jörg Rudloff, who will be his counterpart at the London subsidiary, began several months ago.

Already a member of the Tokyo stock exchange, the firm will hope to use the skills of his team to generate derivatives business, much as Bankers Trust has in London, particularly in the equities area. The aim is ultimately to put the firm in the middle of equity investment flows in and out of Japan. It will also attempt to use its skills to help equity-related business in developing markets in the Far East such as Indonesia.

For Bankers Trust, it remains to pick up the pieces and rebuild damaged morale. A spokesman said that Mr Eugene Shanks, head of global markets in New York, will take over from Mr Wheat for an interim period.

"The bank is bigger than a few people and we've already identified who will take up the new positions internally. It's an opportunity for others," said the spokesman.

Mr Wheat says the bank has depth enough to bounce back quickly from the defections.

However, Bankers Trust is learning the truth of the cliché that a merchant bank's most important assets are its people; and they can always choose to work elsewhere.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on February 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria 9⅝ 93	140	102	102½	+0⅛	+0⅜	8.89
B.F.C.E. 8¾ 94	175	97⅞	98⅜	+0⅛	+0⅛	8.94
B.F.C.E. 9⅛ 95	150	100⅞	101¼	+0⅜	+1⅛	8.98
Brit. Tel. Fin. 9⅝ 98	250	101	101⅜	+0⅛	+0⅛	9.17
Canada 9 96	1000	101⅛	101⅜	+0⅛	+1	8.69
C.C.C.E 9¼ 95	300	100⅝	101⅛	+0⅛	+0⅛	8.99
C.N.C.A 9⅝ 93	150	†100⅞	101	+0⅛	+0⅛	9.09
Credit National 8⅛ 93	200	†99	99½	+0⅛	+0⅛	8.89
Credit National 7⅞ 92	100	97	97½	+0⅛	+0⅛	8.78
Credit National 9½ 92	160	†101⅜	101⅝	+0⅛	+0⅛	8.82
Dai-Ichi Kan 9⅝ 92	150	101⅛	101½	+0⅛	+0⅛	9.02
Denmark 8¼ 94	150	†96⅞	97⅛	+0⅛	+0⅛	9.06
E.E.C. 7 91	100	97	97½	0	+0⅛	8.69
E.E.C. 10 93	140	†102⅞	103¼	+0⅛	+0⅛	8.84
E.I.B. 8½ 99	150	96	96½	+0⅛	+1⅛	9.08
Eurofima 10⅛ 93	100	†102⅞	103¼	+0⅛	+0⅛	8.96
Elec. De France 9 98	200	99½	100	+0⅛	+1⅜	9.04
Elec. De France 9⅝ 99	200	†101⅞	102⅛	0	+1⅛	9.16
Finland 9 96	250	100	100⅜	+0⅛	+1⅛	8.96
Finn.Exp.Cd. 8½ 92	200	99¼	99⅝	+0⅛	+0⅛	8.83
Finn. Exp. Cd. 9⅜ 95	200	101	101⅜	+0⅛	+1⅛	9.06
Ford Motor Credit 8 91	250	†99	99⅜	0	+0⅛	8.71
Gen.Elec.Cap.Corp. 9 93	500	†100⅛	101	+0⅛	+1	8.74
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅛	102	0	+0⅛	8.71
G.M.A.C. 8¾ 94	500	†97⅞	97⅞	0	+0⅞	9.37
G.M.A.C. 9 96	300	98⅜	98¾	+0⅛	+1⅛	9.30
Gen. Mtrs.Corp. 9⅛ 92	200	100	100½	-0⅛	+0⅛	8.96
IBM Credit Corp. 8½ 92	400	99¼	99⅝	0	+0⅛	8.86
IBM Credit Corp. 8⅞ 91	250	99⅞	100⅛	+0⅛	+0⅛	8.90
IBM Credit Corp. 9 92	250	100⅝	100⅞	+0⅛	+0⅛	8.72
IBM Credit Corp. 9⅛ 92	250	101⅛	101⅝	+0⅛	+0⅛	8.72
Italy 8½ 94	1500	98¼	98½	+0⅛	+1	8.92
Italy 9½ 95	1000	102	102½	+0⅛	+1⅛	8.96
Italy 9⅝ 99	1000	102¾	103⅛	+0⅛	+1⅛	9.14
Itoh C. W/W 4⅛ 94	1000	108¾	109½	-0⅛	-1⅛	2.45
Japan Dev. Bank 10 98	200	104⅛	104½	+0⅛	+1⅛	9.05
KFW Intl. Fin. 9 94	300	99¾	100⅛	+0⅛	+0⅛	8.97
L.T.C.B. of Japan 9¼ 92	200	100¼	100⅝	+0⅛	+0⅛	9.00
New Zealand 9 94	850	99⅛	99½	+0⅛	+0⅛	9.18
Nippon Tel.&Tel. 9⅝ 98	250	101⅛	101½	+0⅛	+1⅛	9.13
Norway 8¾ 93	500	100	100½	+0⅛	+0⅛	8.65
Portugal 8¾ 91	300	†98⅞	99⅛	0	+0⅛	9.34
Sumitomo Corp. W/W 4 93	1500	†118½	120	-0⅛	0	-1.53
Sweden 8⅞ 96	200	99⅛	99½	+0⅛	+1⅛	8.88
Toyota 9½ 91	200	100⅞	101⅛	+0⅛	+0⅛	8.86
Toyota Mtr.Corp. W/W 4 93	1500	†103½	105	+0⅞	-0⅛	2.64
Victorian Rep 11⅛ 92	150	104⅜	104⅞	+0⅛	+0⅛	9.17
World Bank 8⅝ 99	1500	97⅝	98	+0⅛	+1⅛	8.70
World Bank 9 97	300	100	100⅜	+0⅛	+1⅛	8.96
World Bank 9 93	300	100⅞	101⅛	+0⅛	+0⅛	8.66
World Bank 9¼ 98	300	101	101⅜	+0⅛	+1½	9.05
World Bank 9⅜ 99	500	103⅜	103⅝	+0⅛	+1⅛	9.04
World Bank 9⅜ 96	300	†103¼	103⅝	+0⅛	+1	9.00

Average price change... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	88⅜	88⅞	-0⅜	-1⅛	8.99
Austria 6¼ 99	750	85⅞	86½	0	-3⅛	9.03
Bk. Frgn. Econ. USSR 7 96	750	†87¼	88	-0⅛	-2⅛	9.77
Bank of Tokyo 5¾ 93	100	91¼	92¼	-0⅜	-1	8.86
Commerzbank o/s. 5⅜ 93	300	91⅝	92⅛	+0⅛	-1⅜	8.66
Credit Foncier 6¼ 99	500	†85⅜	85⅞	-0⅜	-3⅛	10.22
E.I.B. 6¼ 99	600	83	84	-0⅛	-2⅜	9.01
E.I.B. 6½ 99	300	86⅛	86⅞	-0½	-3⅛	8.71
E.I.B. 6⅝ 96	600	87⅞	88	-0⅞	-3⅜	9.35
E.I.B. 6⅞ 95	300	89½	90	-1½	-4⅛	9.24
E.I.B. 8 2000	500	97	97¼	-0⅛	-2½	8.44
Euro.Coal& Steel 7¾ 94	100	†99¼	99¾	0	-1⅜	7.87
Eurofima 6¼ 96	100	88½	89	-0⅛	-1⅛	8.62
Elec De France 5¾ 97	300	81⅞	82⅜	-0½	-3½	9.22
Hydro-Quebec 6¾ 99	300	85½	86⅛	-0⅞	-2⅞	9.09
Japan Dev. Bk. 5⅜ 95	300	84	84⅛	-0⅜	-2⅜	9.29
Japan Finance 5⅜ 97	100	83	83⅜	-0⅛	-2½	9.05
I.A.D.B. 7¼ 99	300	88½	89⅛	-0⅜	-3⅛	9.05
Ireland 6½ 97	300	85⅛	86⅛	-0½	-2⅛	9.24
Ireland 7¼ 99	500	87⅞	88⅜	+0⅛	-2½	9.21
Malaysia 6¼ 94	150	94⅝	95¼	0	-0⅛	7.66
Nat. West BK. PLC 6 98	300	83⅝	84⅜	0	-2⅛	8.81
Nippon Telg.&Tel. 6 95	400	88⅛	88⅞	-0⅛	-2⅛	6.93
Oesters. Kontbk. 5 93	[illegible]	[illegible]	90⅞	-0⅛	-2⅛	9.10
Portugal 5¾ 92	150	93	93¼	0	-0⅛	8.83
Portugal 6⅝ 95	150	92⅞	93⅛	+0⅛	0	8.31
Royal Insurance 5½ 92	300	92¼	92¾	-1⅛	-1	9.50
Turkey 6½ 95	500	87⅛	88⅜	+0½	-1⅛	9.50
Union Bk.Finland 5½ 94	200	89⅜	90⅛	0	-1⅛	8.69
World Bank 6 98	500	81½	82¼	0	-2⅜	9.10
World BK. 6¾ 97	600	84⅜	85	-0⅛	-3⅛	10.78
World Bank 6⅝ 99	400	85⅞	86¼	-0⅛	-2⅛	9.00

Average price change... On day -0⅛ on week -2½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†85½	86½	+0⅛	-0½	7.84
Asfinag 5 03	100	†80½	81½	0	-1	7.25
B.F.C.E. 4½ 98	200	†84	84¼	-0⅝	0	7.06
B.M.W.Fin.Neth. 5 13	150	†73½	74½	-2	-3	7.37
Britannia B/S. 4¼ 94	100	†85	86	-0⅛	-1⅛	8.38
CIR. Int. W/W 3 93	125	†83	83¼	0	-1⅜	8.92
Credit Lyonnais 4¾ 00	100	†79	80	+1⅜	-0⅞	7.70
E.I.B 4⅝ 98	150	†83	83½	-0⅛	-0⅛	7.38
Finn. Exp. Cd. 8¼ 92	75	†98	98½	-0⅛	-0⅞	8.99
Fletcher Chall. 4⅞ 98	150	†74½	75	0	-0½	9.45
I.A.D.B. 6 2004	200	†89½	90	-0⅝	-1	7.15
Kobe City 4⅝ 98	150	†83¼	84⅛	-0⅛	+0⅞	7.27
Leeds Perm. B/S. 4⅛ 93	200	†87	88	-0⅛	0	8.82
Malaysia 5⅛ 98	100	†76½	79	+1⅜	-1	9.15
Maxwell Comm.Crp. 5 95	150	†81¼	81¾	0	-0⅞	9.57
Nat. Bk. Hungary 5½ 94	75	†86	88	+3⅛	+1⅜	8.91
Nationwide Ang.B/S. 4 93	200	†85	86	-1	-1	9.23
Prov. Newfoundland 5 03	150	†80	81	+0⅜	-2	7.28
Thailand 4⅝ 95	200	†83	83¼	-0⅞	-0⅞	8.65
World Bank 5 03	150	†80	81	+0⅛	-1⅛	7.32

Average price change... On day -0⅛ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅛	99⅜	0	-0⅛	6.90
Canada 5⅝ 93	80	96⅛	96⅝	-0⅛	0	6.78
Cr.Local France 6¼ 94	300	96¼	97	0	-0⅛	6.57
Denmark 6⅛ 95	300	97	97⅛	0	-0⅛	6.55
E.I.B. 4⅞ 93	30	94⅛	94⅝	0	0	6.89
Norway 5⅛ 95	50	93⅛	93⅜	-0⅛	-0⅛	6.72
Sweden 4⅝ 93	50	93½	93¾	0	-0⅛	6.87
World Bank 5⅛ 98	10	89⅛	89⅝	-0⅛	-0⅛	6.90
World Bank 7 94	20	100⅝	101⅛	0	0	6.74

Average price change... On day 0 on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10⅛ 94 C$	150	94⅝	95	+0⅛	-1	11.81
Abbey Nat. 12⅛ 93 £	100	98⅝	99⅛	+0⅛	+0⅛	13.61
Aegon 7⅞ 92 FL	100	98	98⅜	0	-0⅛	8.65
Alg. Bk. Ned. 5⅞ 93 FL	250	91⅛	92⅛	0	+0⅛	8.92
Austria 7½ 94 ECU	100	89	89⅜	0	-1⅛	10.91
Barclays Aus.13⅝ 92 A$	100	96⅞	97⅜	-0⅛	-0⅛	15.53
Belgium 8¾ 94 Ecu	150	91¼	91¾	+0⅛	-0⅛	10.83
Bell Canada 10⅞ 04 C$	200	96⅛	96⅝	-0⅛	-1⅛	11.38
BP Capital 9⅞ 93 £	100	90⅞	91¼	+0⅛	+0⅝	13.40
British Airways 10 98 £	100	86	86½	+0⅛	+0⅛	12.83
Brit. Telecom 9½ 93 £	150	90	90⅜	0	-0⅛	13.57
Comm. Bk. Aust. 12⅝ 93A$	100	†95	95⅛	0	-0⅛	14.48
Comm. Bk. Aus. 13⅞ 94 NZ$	60	†103	104	0	+0⅛	12.62
Credit Foncier 9 96 Ecu	100	92⅞	93	+0⅛	-1⅛	10.59
Cr.Local France 9¼ 92Ecu	100	97⅛	97⅝	+0⅛	-0⅞	10.53
Deut. Bk. Aus. 13⅞ 93 A$	125	98⅛	98⅝	-0⅛	-0⅛	13.90
Deutsche Bk. Fin. 15 94 A$	100	102	102½	-0⅛	-0⅛	14.20
Elec. De France 9¾ 99C$	150	91⅛	91⅝	-0⅞	-0⅞	11.24
E.I.B. 7 96 LFr	100	*193½	93½	0	-0½	8.43
E.I.B. 7⅛ 99 FL	150	87⅞	88⅜	0	-2⅛	9.02
E.I.B. 9 99 Ecu	150	92	92½	+0⅛	-2	10.34
Eurofima 7⅝ 94 Ecu	100	90⅛	90⅝	+0⅜	-0⅞	10.69
Export Dv.Crp.8⅛ 92Ecu	100	95⅜	96⅛	0	-0⅜	10.85
Fed. Bus. Dv. Bk. 9 94 Ecu	100	94	94½	0	-0⅝	10.69
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†95⅞	96⅛	+0⅛	-0½	11.77
Ford Cr. Can. 10⅛ 93 C$	100	†97	97½	+0⅛	-0½	11.89
Ford Cred. Can. 10⅞ 96C$	125	96⅛	96⅝	+0⅛	-0⅞	11.70
Ford Cred. Fund. 10⅛ 93£	60	91⅛	92⅛	+0⅛	+0⅛	13.57
G.M.A.C. Canada 11 3/4 94C$	100	99⅜	99⅞	+0⅛	-0⅞	11.88
Heineken 7⅝ 94 FL	150	96⅞	97⅛	0	-0⅛	8.03
Hydro-Quebec 11 99 C$	400	97½	97⅞	+0⅛	-1	11.44
Lloyds Bank 10⅛ 98 £	150	86½	87	+0⅛	+0⅛	12.99
Lloyds Bank 11⅝ 98 £	100	90½	91⅛	+0⅛	-0⅛	13.19
Nat. Aus. Bk. 14⅛ 94A$	100	100	100½	0	-0⅛	14.66
New Zealand 9½ 93 £	100	89¼	89⅝	+0⅛	+0⅛	13.73
O.E.K.B. 10⅛ 99 C$	150	93⅞	94⅛	+0⅛	-0⅞	11.29
Royal Bk.Scot.10⅝ 98 £	125	88⅝	89⅛	+0⅛	+0⅛	12.96
Saskatchewan 10⅛ 93 C$	200	96	96½	+0⅛	-0⅛	11.50
State Bk.NSW. 13⅞ 93A$	100	98⅛	98½	-0⅛	-0⅛	14.45
Sweden 7½ 93 Ecu	250	90⅛	90⅝	+0⅛	-0⅛	10.72
Sweden 15 94 A$	100	102⅛	102⅝	-0⅛	-0⅛	14.17
Toyota Mtr.Cr.10⅞ 94C$	150	95⅛	95⅞	+0⅛	-0⅞	11.55
Toyota Mtr.Cr.11⅝ 92C$	150	98⅛	98⅝	+0⅛	-0⅛	12.10
World Bank 7⅛ 99 FL	300	87⅞	88⅜	0	-2⅛	9.06
World Bank 10⅞ 94 £	200	93⅛	93½	+0⅛	+0⅛	12.89
World Bank 13⅝ 92 A$	100	99⅛	99½	0	-0⅛	13.65
World Bank 14¼ 94 A$	75	100⅜	100⅞	-0⅛	-0½	13.98
Zentrspk. 13⅛ 93 A$	75	†97⅝	98⅛	-0⅛	-0⅛	13.96

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.89	99.94	24/04	15.33
Bank of Greece 99 US$	0⅛	99.12	99.22	8/03	9⅛
Belgium 91 US	0	100.[illegible]	100.18	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.79	99.84	28/02	15.31
Credit Foncier 98 US	.063	99.66	99.76	20/04	8.31
Dresdner Finance 99 DM	.031	100.22	100.31	28/04	6.97
EEC 3 92 DM	0	100.34	100.44	22/02	6⅛
Halifax BS 94 £	.1	100.01	100.06	9/02	15.16
Invt. In Industry 94 £	0⅛	99.98	100.08	17/04	15½
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	17/04	15.37
Milk Mkt. Brd. 5 93 £	0⅛	99.89	99.94	29/03	15⅛
New Zealand 5 97 £	.07	100.03	100.13	22/02	15⅛
Northern Rock 92 £	0⅛	99.85	99.88	30/04	15.18
State Bk. Nsw. 98 US	.188	99.94	100.04	11/02	8.81
Woolwich Eqult. BS. 93 £	0⅛	100.01	100.06	17/04	15.37
Woolwich 5 95 £	0⅛	100.01	100.06	22/02	15.31

Average price change... On day +0.01 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	10/87	62	107	108	-1	10.17
Amer. Brands 7¾ 02 US	9/87	56.7	116¼	117¼	-0⅛	0.91
Asda 4¾ 02 £	3/87	1.64	100¾	101¾	+0⅛	58.14
CBS. Inc. 5 02 US	4/87	209.	97¼	98⅛	+0⅛	8.60
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	91¼	92¼	-0⅛	9.28
Daiwa Bank 3⅛ 95 US	2/90	1628.	96⅛	97⅛	+0⅛	1.28
Primerica 5½ 02 US	4/87	66.75	71½	72½	-0⅛	85.70
Eng.China Clay 6½ 03 £	9/88	4.8	86	87	-0⅛	7.84
Fujitsu 3 99 US	5/84	1106.	[illegible]	[illegible]	+1½	0.02
Ladbroke Grp. 5¾ 04 £	6/89	3.55	99½	100½	+0⅛	18.33
Land Secs. 6¼ 02 £	6/87	6.72	83	84	+0⅛	15.22
[illegible] Cosmo 2¼ 94 DM	2/86	1004.	104½	106	+0⅛	6.34
MCA Inc 5½ 02 US	9/87	69.62	93¼	94¼	-0⅛	20.32
Mitsubishi Bk. 3½ 04 US	5/89	3266.	87⅛	88⅛	+0⅛	5.44
Next Plc 5¾ 03 £	11/87	4.3	95⅛	96⅛	-0⅛	335.09
Nishi Nip.Bk.2¾ 03 US	4/88	804.	151¼	152¼	-0⅛	-2.85
Omnicom Inc. 6 1/2% 04 US	10/89	28.	101⅞	102⅞	-0⅛	21.31
[illegible] 2¾ 02 US	[illegible]	[illegible]	259	259½	-0⅛	-0.49
Ranks Hovis 4¾ 03 £	1/88	3.5	119	120½	-1½	0.27
Redland 7¼ 02 £	1/87	5.4	103½	104½	-1⅛	1.56
Saatchi&Saatchi 6¾ 03 £	10/89	4.41	83½	84½	+1⅛	46.37
Silicon Graphics 8 04 US	10/89	23.18	134¼	135¼	+0⅛	0.71
Sumitomo Bank 3¼ 04 US	2/89	3907.	84⅛	85⅛	+0⅛	12.51
Texas Inst. 2¾ 02 US	[illegible]	[illegible]	75⅞	76⅞	+0⅛	88.21
Utd.N'papers 8 04 £	10/89	8.77	121	122	-0⅛	167.57
W.R. Grace 6¼ 02 US	9/87	42.12	90⅛	91⅛	-0⅛	27.76

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

Jones Lang Wootton and US Pru in $2bn scheme

By Paul Cheeseright, Property Correspondent

THE Prudential Insurance Company of the US and Jones Lang Wootton, the UK firm of property advisers, have linked with seven other financial institutions across the world to start a $2bn property investment programme.

This is the first excursion of Prudential Insurance on to the international property markets. Although its manages a $45bn portfolio in the US, its property investment previously has concentrated on the domestic market.

US institutions, in the last two years especially, have adopted an increasingly international approach to investment generally. At the same time the property market has become more fluid with investment funds moving across national borders.

Prudential Insurance, Nationale-Nederlanden, Australian Mutual Provident Society, the Government of Singapore Investment Corporation, SPP of Sweden and three anonymous institutions – possibly Japanese – are each subscribing $250m of equity to the Prudential Real Estate Investment Programme.

Jones Lang Wootton said yesterday it hoped four additional subscribers would be able to take part in the fund, bringing its capital up to $3bn.

The buying programme and the management of the properties after their acquisition will be carried out by a partnership, set up by Prudential Insurance and Jones Lang Wootton, called Global Realty Advisors and based in Bermuda.

The first property purchases are likely to be in Frankfurt, London, Paris, Sydney and Toronto. Investments will generally be held for 10 to 15 years and there is no intention of setting up a property trading operation.

The Prudential programme is the second large institutional property investment fund to start this year. Earlier Crédit National of France said it is leading institutions from nine countries in Europolis Invest, a fund with potential investment capacity of $1.15bn set up to invest in European property.

Matif and Liffe launch new option

By Deborah Hargreaves

COMPETITION between the London International Financial Futures Exchange (Liffe) and France's Matif heated up yesterday with an announcement by both exchanges that they will list an options contract on their Euromark futures contracts.

Both exchanges have been competing on Euromark futures since their inception last year. Liffe has beaten the Matif on a launch date for the option which will start up on March 1. The Matif starts its option at the beginning of April.

Liffe's Euromark futures contract has got off to a quicker start than Matif's, with Liffe's trading just over 150,000 contracts a month. Liffe also lists its Euromark contract on its APT electronic trading system where it has been trading around 500 lots an evening.

Guinness Mahon forges links with Yokohama bank

By Andrew Freeman

THE BANK of Yokohama and Guinness Mahon have formed a joint venture leasing company called Guinness Yokohama Leasing. The company will provide leasing and asset finance facilities principally for the Japanese business community in the UK.

The group will work closely with the existing asset finance arm of Guinness Mahon. It will also provide vendor financing schemes to help sales of Japanese capital equipment in the UK. Guinness Mahon is the UK merchant banking arm of Bank of Yokohama.

● Royal Insurance, the UK insurer, announced a $100m three-year revolving credit facility, to be arranged and syndicated by Barclays Bank. The programme will be used for general corporate purposes and will act as a standby facility to support existing commercial paper programmes.

● Daiwa Securities, one of the big four Japanese securities houses, has announced that the Hungarian stock exchange in Budapest has asked it for advice on preparations to reopen in March, Reuter reports from Tokyo.

The co-operation will initially focus on bringing bourse employees to Tokyo for training.

INTERNATIONAL CAPITAL MARKETS

World Bank issue well received

By Stephen Fidler, Euromarkets Correspondent

THE WORLD Bank yesterday launched the second of its global bond issues, a $1.5bn, seven-year issue, to a positive reception.

The issue, the first to be traded in the new issue markets in Tokyo, London and

INTERNATIONAL BONDS

New York, will be finally priced this afternoon by lead managers Morgan Stanley and Goldman Sachs, after investors worldwide have been canvassed on their views.

The indicated interest spread over the seven-year US Treasury issue was 35 to 38 basis points, but the strength of demand was such that the maximum margin on the issue will be 35 basis points.

A margin of less than that is being considered, given that initial indications show the issue being oversubscribed several times. The previous global issue, for $1.5bn over 10 years and launched in September, was bid yesterday at a spread of 41 basis points over the 10-year Treasury.

When the second issue was first mooted earlier in the year, the bank seemed likely to choose a five-year maturity. In the event, market conditions were such that a seven-year issue proved possible. Five-year issues are generally easier to sell and there is a strong demand for such paper from central banks.

The longer-maturity suggests a better spread of investors. The seven-year maturity also allows the bank to price the issue at an issue spread to Treasury paper of less than US agency paper, while still attracting European investors. In the five-year sector, where agencies are trading at about 26 basis points above the Treasury, the spread would have been too tight to bring out much European demand.

Mr Don Roth, the World Bank's treasurer, said initial indications suggested that demand for the issue had been stronger for the second issue than for the first.

Yet there was some criticism of a "semi-global" $1bn deal for Citicorp done by Salomon Brothers, priced yesterday afternoon. The deal was in two tranches, backed by Citicorp credit card receivables and sold mainly in the US but also to Europe.

Some houses said the issue, from European investors' point of view, had several potential drawbacks: it was not clearing through one of the established Eurobond houses and, like the World Bank deal, was only in registered form. Some would also be confused, traders suggested, by the so-called "soft bullet" maturity.

The issue carries a senior/junior structure with the junior structure – $110m worth of debt sold mostly in the US – guaranteeing payment after five years of the AAA-rated senior issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Stand.Credit Cards Tst 1990◆	890	9	99.44	1995	⅜	Salomon Brothers
Stand.Credit Cards Tst 1990◆	110	9⅜	99.47	1995	⅜	Salomon Brothers
Samick Musical Instr.(a)§	30	1	100	2004	2/1½	Ssangyong Inv. & Secs.
Miraco Int.(Netherlands)(b)◆	30	(b)	102	2000	2/1¼	Mitsubishi Finance Int.
SWISS FRANCS						
Kyushu Electric Power(c)◆	150	7½	101½	2000	2⅜	SBC
YEN						
Toronto-Dom. Bk(Cayman)(d)◆	6bn	8	100⅞	1991	⅜/½	Toyo Trust Int.
AUSTRIAN SCHILLINGS						
National Bank of Hungary(c)◆	1bn	9½	98.45	1997	n/a	Creditanstalt-Bankverein

‡Floating rate notes. §Convertible. ◆Final terms. a) Call from 1/1/92 at 104% declining 1% p.a. to par. Put March 1995 to yield 5½%. Conversion period Sept.91-Nov.2004. b) Launched in three tranches: $10m pays 32½bp over 6-month Libor first two years, then 10¼% fixed. $5m pays 60bp over 6-month Libor first two years, then 9⅞% fixed. $15m pays 9¾% fixed. One call only March 1992 at par. c) Non-callable. d) Redemption linked to Nikkei stock index.

DTI rules put more life into Liffe

Deborah Hargreaves explains a long-awaited break for unit trusts

The futures and options lobby which has fought London's labyrinthine tax and regulatory structures is about to receive a long-awaited reward from the Department of Trade and Industry.

The DTI's publication of an arcane interpretation of an EC directive is expected to give closed-end investment funds – traditionally unit trusts in the UK – more leeway over how they use derivatives markets.

The draft regulations, which the DTI is expected to publish soon, will also allow futures and options funds to become established in the UK. London's markets are confident it will eventually attract investor interest in their products.

If these moves are accompanied by a change in tax status of derivatives in this year's UK Budget, as exchanges hope, it could significantly boost volume.

A recent growth surge for London's derivatives markets has boosted volume to a level where equity derivatives trade around 80 per cent of the value of the underlying cash market. This still falls behind France where the futures market transacts 110 per cent of the cash market value and in the US the futures do 400 per cent of cash market value.

Regulatory changes in the UK will not boost volume overnight but they will provide the right climate for a drive to educate fund managers about derivatives.

Unit trusts can now only use futures and options for hedging purposes, but the DTI is expected to broaden their scope by allowing them to employ derivatives' strategies for "efficient portfolio management". The department's statement will for the first time define efficient portfolio management.

Michael Jenkins: expects wave of business into Liffe contracts

Up till now, unit trusts have been required to hold the cash equivalent of a derivatives contract before employing a futures strategy to hedge that exposure. Under the new definition, it is expected they will be allowed to make any transaction in derivatives without holding the underlying instrument as long as they hold cash to cover the investment in a derivative.

The DTI's statement will enable investment funds to become much more highly geared since futures offer a large exposure for a fraction of the cost of a cash instrument. In addition, the derivatives markets offer the sort of deep liquidity that enables funds to be much more flexible in their allocation of assets.

While the DTI's statement will give unit trusts more access to the derivatives markets, few will be encouraged to use them until a confusing situation over the tax treatment of derivative products is clarified. A strong futures lobby is hoping to see the tax status of derivatives changed in this year's budget.

The complex tax rules governing derivatives products often discourage some institutions from ever venturing into the markets at all. Unit trusts often have to give up their tax-exempt status when they become involved in derivatives transactions.

If the Inland Revenue was to class futures and options as investments in their own right, it could eliminate the complicated system of dual taxation that can exist for some investors in the markets.

If tax changes are made in the March Budget, and accompanied with the DTI's new interpretation of efficient portfolio management, the impact on London's derivatives markets could be quite significant. Mr Michael Jenkins, chief executive at the London International Financial Futures Exchange believes the effect will be an accumulating wave of business into some of the exchange's contracts – particularly the FT-SE 100 index futures – as fund managers become more knowledgeable about derivatives.

Publication by the DTI of draft rules for futures and options funds will give another important fillip to London's derivatives markets.

The UK has not had a regulatory structure that allowed collective investment schemes in futures and options and as these funds have gained in popularity, business has moved offshore. In the US, futures and options funds have proved attractive to retail investors in recent years and there has been a rush to launch a variety of fund products.

Futures funds are a way for small, private investors to gain access to the multi-billion dollar futures markets which they could not set foot in alone.

Funds will invest money across the markets and often guarantee a return of capital after a certain number of years accompanied by some of the high returns that can be gained from futures. Since these funds have been precluded from setting up in the UK, several UK companies have moved offshore to launch their funds. In a recent move, Mercury set up its £100m 90/10 fund in Luxembourg.

The Government has been aware of the loss of business caused by a lack of UK regulation for futures funds and the DTI's draft regulation is expected to give fund managers a chance to launch and market futures funds in the UK.

Conservative futures funds called 90/10 funds are popular in the US and are expected to sell well in the UK. The fund provides a guaranteed return of 100 per cent of the initial investment. As well as the capital, the fund can offer a high return to investors by splitting 90 per cent of its cash into money market investments and using the remaining 10 per cent to gain a wide exposure to the markets with the use of derivatives.

Since these funds invest across the board in derivatives, their launch in the UK could boost volume across London's commodity markets. "Funds provide a much safer opportunity for investing in a diversified futures and options portfolio," believes Mr Jenkins. For this reason, funds could bring the esoteric area of derivatives products much closer to the individual investor.

Yield in West Germany highest since 1982

By Deborah Hargreaves in London and Karen Zagor in New York

IT WAS another volatile day for the West German bond market yesterday as the average yield on bunds rose to 8.81 per cent, the market's highest level since September 1982.

Although the market opened

GOVERNMENT BONDS

slightly firmer, a short squeeze on the futures contract which saw a rush of selling at higher prices pushed bond prices back down again.

The futures contract on Liffe traded over 61,000 lots in another hectic day which saw futures prices closing lower at just under 83 after a close of 83.39 on Tuesday.

The Bundesbank's 10-year 7¾ per cent bond was fixed at 95.25 earlier in the day after Mr Karl Otto Pöhl, the Bundesbank president, said the German capital market's fears that unification could lead to higher inflation had been exaggerated. However, the issue traded lower towards the end of the day as volatility returned to the market.

■ The UK gilts market was slightly stronger yesterday and overcame an early setback when the Abbey National Building Society said it would raise its mortgage rate. Gilts lost ⅛ of a point on the news but recovered as some retail buying buoyed the market.

The benchmark long gilt 10.5 per cent closed ⅛ higher at 95.20 with a yield of 11.26 per cent.

■ US Treasury bonds drifted lower yesterday in lacklustre trading without any unexpected economic news.

In the late afternoon, the Treasury's benchmark 30-year long bond was down ⅛ point at 100⅞, yielding 8.41 per cent. Prices at the short end of the yield curve fared better, with the two-year bond off ⅛ point to yield 8.24 per cent.

Fed funds – the rate at which banks lend to each other – changed hands at 8¼ per cent through most of the day, and the Federal Reserve did not operate in the market.

The debt market absorbed the news of Drexel Burnham Lambert's bankruptcy protection filing, announced late on Tuesday, with equanimity.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-05	-1/32	12.28	12.31	12.04
		10.500	5/99	95-20	+5/32	11.28	11.39	11.02
		9.000	10/08	89-05	+5/32	10.32	10.46	10.05
US TREASURY *		7.875	11/99	99-17	-7/32	8.40	8.61	8.13
		8.125	8/19	98-19	-7/32	8.43	8.61	8.18
JAPAN	No 119	4.800	6/99	88.6438	-0.508	6.78	6.65	6.46
	No 2	5.700	3/07	94.4388	-0.938	6.36	6.31	5.25
GERMANY		7.125	12/99	91.0000	-	8.51	8.15	7.49
FRANCE	BTAN	8.000	10/94	90.4071	-0.128	10.69	10.57	10.15
	OAT	8.125	5/99	88.8600	-0.120	10.00	9.87	9.49
CANADA *		9.250	12/99	93.7000	-0.400	10.28	10.18	9.81
NETHERLANDS		7.500	11/99	91.1100	+0.540	8.88	8.57	8.12
AUSTRALIA		12.000	7/99	94.1909	-0.616	13.08	12.73	12.97

London closing, *denotes New York closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

German equities 'due for fall despite slide in bunds'

PRICES in the buoyant German equity market are due for falls in spite of the plunging German government bond market, according to London-based brokers, writes Rachel Johnson.

The reverse yield gap – which describes the inverted relationship between bond and equity yields – is currently very wide, reflecting the gains the German stock market has made to a great extent at the expense of government bonds.

Investors have pumped money into German construction, housing, and engineering companies since November last year, when East Germany announced it was opening its borders. The market has risen in value by 25 per cent since then, and the FAZ share index was yesterday only 23.5 points off its high for the year yesterday, at 776.5.

But traders at UBS Phillips & Drew, the London stockbroker, will next week issue revised predictions for the yield levels German bonds will be reaching in the summer of this year. On the basis of their predictions, the equity market is due for a re-rating.

Mr Steven Major, bund researcher, said that 10-year bunds – which have risen from about 7.2 per cent in November 1989 to 8.86 per cent yesterday – will carry on climbing, to 9 per cent.

With bonds at these yield levels, the old relationship between German bonds and equities "no longer holds," the stockbrokers say.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

Compiled by the Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Feb 14 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Tue Feb 13 Index No.	Mon Feb 12 Index No.	Fri Feb 9 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (203)	873.51	.....	13.01	4.88	9.36	1.42	873.57	874.75	882.52	908.86
2	Building Materials (27)	1065.71	-0.6	14.78	5.30	8.44	0.58	1071.92	1075.40	1087.60	1136.58
3	Contracting, Construction (37)	1481.43	-0.4	16.69	5.33	7.05	0.67	1487.20	1496.02	1499.71	1606.17
4	Electricals (10)	2489.78	-0.3	10.81	5.06	11.43	0.75	2498.46	2500.17	2532.53	2687.63
5	Electronics (30)	1915.93	-0.2	9.39	3.76	13.78	10.21	1920.54	1916.85	1926.53	2034.93
6	Engineering-Aerospace (8)	432.42	-0.4	13.98	5.10	8.78	0.04	434.09	434.09	439.70	0.00
7	Engineering-General (44)	468.40	+0.4	11.98	5.04	10.85	1.28	466.55	467.38	478.75	0.00
8	Metals and Metal Forming (6)	477.85	+2.2	24.60	6.29	4.57	0.00	467.64	467.56	476.15	519.23
9	Motors (16)	366.25	+0.4	14.48	5.76	8.18	0.00	364.62	361.94	365.42	318.53
10	Other Industrial Materials (25)	1567.24	+0.1	10.75	4.60	10.79	3.06	1565.31	1570.87	1589.49	1527.43
21	CONSUMER GROUP (177)	1251.59	+0.3	9.82	3.80	13.84	3.05	1248.25	1248.22	1259.37	1173.01
22	Brewers and Distillers (22)	1459.39	+0.3	9.58	3.61	12.89	6.54	1454.37	1446.10	1460.88	1277.16
25	Food Manufacturing (19)	1089.54	-0.1	9.85	4.07	12.43	1.70	1090.39	1096.93	1103.43	1049.57
26	Food Retailing (16)	2281.27	+0.8	8.98	3.32	14.59	6.99	2263.94	2268.21	2276.04	2034.87
27	Health and Household (13)	2431.86	+0.2	6.44	2.69	18.50	0.20	2427.68	2429.92	2456.90	2119.53
29	Leisure (33)	1577.96	.....	8.49	3.75	14.50	4.83	1578.70	1575.86	1591.99	1570.97
31	Packaging & Paper (13)	573.60	+0.2	12.25	5.40	10.31	0.90	572.68	573.12	575.29	596.09
32	Publishing & Printing (17)	3524.73	+0.4	9.18	4.99	13.90	21.20	3511.80	3527.97	3559.92	3733.88
34	Stores (31)	783.71	+0.5	11.18	4.79	11.72	1.70	780.06	779.17	787.21	779.90
35	Textiles (13)	507.38	+0.4	11.39	5.91	10.64	0.27	505.31	502.02	506.69	516.83
40	OTHER GROUPS (103)	1176.89	+0.3	10.86	4.76	11.03	0.34	1173.87	1172.00	1180.76	1048.57
41	Agencies (17)	1586.23	+0.7	6.61	2.35	18.62	0.05	1574.91	1573.66	1594.32	1214.49
42	Chemicals (22)	1197.75	-0.2	12.66	5.38	9.51	0.57	1200.06	1200.10	1207.85	1203.73
43	Conglomerates (13)	1602.96	+0.2	11.21	4.32	10.48	0.00	1599.24	1604.35	1617.07	1460.10
44	Transport (13)	2237.83	-0.5	10.01	4.29	11.78	2.88	2248.60	2239.03	2255.78	2207.15
46	Telephone Networks (2)	1248.94	+0.4	10.17	4.38	11.79	0.00	1243.81	1236.49	1250.21	1112.89
47	Water (10)	2021.94	+1.2	17.24	6.70	6.43	0.00	1997.14	1984.14	1991.79	0.00
48	Miscellaneous (26)	1877.99	+0.3	9.46	4.38	11.91	0.91	1872.78	1875.28	1878.02	1450.87
49	INDUSTRIAL GROUP (483)	1147.62	+0.2	10.58	4.37	11.56	1.86	1145.37	1145.16	1154.86	1088.47
51	Oil & Gas (17)	2419.18	+0.3	8.98	4.71	14.84	8.21	2411.65	2391.38	2429.32	1915.88
59	500 SHARE INDEX (500)	1253.85	+0.2	10.34	4.42	11.94	2.20	1250.38	1248.64	1260.56	1159.10
61	FINANCIAL GROUP (114)	822.65	[illegible]	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (9)	863.18	+0.1	19.85	5.82	6.62	1.48	862.64	863.83	869.57	[illegible]
65	Insurance (Life) (7)	1364.86	-1.2	—	4.87	—	0.00	1379.96	1358.81	1378.19	[illegible]
66	Insurance (Composite) (7)	701.53	-0.4	—	5.96	—	0.00	698.48	697.13	696.16	597.69
67	Insurance (Brokers) (6)	1098.58	-0.7	8.74	5.74	19.79	0.00	1106.42	1105.98	1113.41	1024.34
68	Merchant Banks (8)	495.84	+0.1	—	3.99	—	0.04	496.32	497.05	501.23	354.46
69	Property (49)	1114.83	+0.3	7.98	3.76	16.81	1.30	1108.87	1105.41	1108.54	1309.89
70	Other Financial (28)	338.73	+0.2	15.12	6.39	10.06	1.45	338.99	335.91	331.97	287.64
71	Investment Trusts (68)	1214.53	+0.4	—	3.81	—	1.13	1211.84	1210.74	1221.99	1066.14
91	Overseas Traders (5)	1407.05	+0.3	10.61	6.50	10.89	30.79	1402.52	1407.05	1430.44	1407.78
99	ALL-SHARE INDEX (687)	1149.87	+0.3	—	4.50	—	2.04	1146.88	1145.18	1156.72	1060.25

		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 13	Feb 12	Feb 9	Feb 8	Feb 7	Year ago
	FT-SE 100 SHARE INDEX◆	2298.3	+5.1	2310.6	2297.6	2293.2	2286.9	2313.1	2331.0	2307.4	2047.5

FIXED INTEREST

	PRICE INDICES	Wed Feb 14	Day's change %	Tue Feb 13	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	114.97	+0.12	114.83	–	2.02
2	5–15 years	124.97	+0.26	124.64	–	1.60
3	Over 15 years	133.51	+0.18	133.27	–	0.98
4	Irredeemables	151.78	+1.08	150.15	–	0.00
5	All stocks	124.16	+0.21	123.89	–	1.70
	Index-Linked					
6	Up to 5 years	139.35	+0.06	140.21	0.94	0.94
7	Over 5 years	135.72	–0.25	136.06	–	0.64
8	All stocks	135.88	–0.23	136.26	0.07	0.66
9	Debentures & Loans	102.16	+0.51	101.63	0.06	1.14
10	Preference	86.57	–0.17	86.70	–	0.86

	AVERAGE GROSS REDEMPTION YIELDS		Wed Feb 14	Tue Feb 13	Year ago (approx.)
	British Government				
1	Low	5 years	10.70	10.73	8.98
2	Coupons	15 years	10.30	10.34	8.82
3		25 years	10.18	10.24	8.75
4	Medium	5 years	11.78	11.82	10.14
5	Coupons	15 years	10.67	10.70	9.25
6		25 years	10.28	10.33	8.88
7	High	5 years	11.92	11.97	10.28
8	Coupons	15 years	10.87	10.90	9.46
9		25 years	10.41	10.46	9.04
10	Irredeemables†		10.28	10.32	8.74
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.48	4.49	3.44
12	Inflation rate 5%	Over 5 yrs.	3.89	3.87	3.54
13	Inflation rate 10%	Up to 5 yrs.	3.62	3.62	2.64
14	Inflation rate 10%	Over 5 yrs.	3.73	3.71	3.38
15	Debs &	5 years	13.47	13.49	11.79
16	Loans	15 years	12.72	12.80	11.35
17		25 years	12.71	12.79	10.72
18	Preference†		11.45	11.43	10.84

◆Opening index 2303.7; 10 am 2304.3; 11 am 2310.5; Noon 2302.5; 1 pm 2297.8; 2 pm 2298.1; 3 pm 2299.3; 3.30 pm 2299.3; 4 pm 2301.1 (a) 11.01am (b) 1.40pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
PLEASE NOTE: The 1990 FTA constituent list is now available.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	72	19	7
Corporations, Dominion and Foreign Bonds	9	0	28
Industrials	296	342	963
Financial and Properties	149	145	397
Oils	24	29	39
Plantations	1	1	8
Mines	15	75	68
Others	63	94	96
Totals	629	708	1,606

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt. Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price	+ or –	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	101	95	Abtrust New Thai Inv.	95		–	–	–	–
–	F.P.	–	61	45	Do. Warrants	48		–	–	–	–
75	F.P.	–	92	81	Air London 5p	92		R2.25	2.5	3.3	13.9
–	F.P.	–	1½	½	Atlantic Res. Warrants	1		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or –
100p	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
–	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
98.94	F.P.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or –
25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
190	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
670	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
127	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Feb 5
● Last Dealings Feb 16
● Last Declarations May 10
● For settlement May 21

For rate indications see end of London Share Service

Calls in Astra Fat, Amstrad, Conroy Pet., Gaelic Res., Hambros, Hanson warrants, Next, Norfolk Capital, P & O warrants, Queens Moat Houses, Rosehaugh, Saatchi & Saatchi and Vista Entertainments. Puts in Amstrad and Rosehaugh.

LONDON TRADED OPTIONS

THE MARKET was slightly busier yesterday, although dealers said turnover was still too low to generate much excitement. Turnover was weighted towards calls, though this was not due to any change in sentiment towards the stock market, but because call activity increased in selected stock options.

Total market volume amounted to 29,592 contracts against 24,884 on Tuesday. Yesterday's total was divided between 21,054 calls and 8,538 puts.

The FT-SE 100 index was the busiest option, although trading volumes were almost half those of the previous day's. Early on there was some closing of bear positions opened the previous day on the expectation of a decline in Wall Street.

But the troubles at Drexel Burnham Lambert failed to depress the US equity market, which had finished higher on the day. So after the initial flurry, trading turned slack. Total volume stood at 4,159 lots at the close, of which 1,695 were calls and 2,464 puts. The busiest series was the February 2,300 puts, which traded 614 contracts.

Futures was unable to provide much direction for the options or underlying market. It shrugged off some of the bearishness of earlier in the week as a small number of institutions appeared as buyers. The March FT-SE index traded a total of 3,371 contracts, equivalent to £195m – less than Tuesday's hectic session.

The premium of the futures over the cash market widened to 10 footsie points, from 2 the previous day. But dealers said the majority of the market remained bearish, a view bolstered by the news that the Abbey National Building Society had raised its mortgage rate.

Among the stock options, Sears was the busiest, trading 2,986 contracts, as bid speculation swirled around the market. Yesterday's total was divided between 2,720 calls and 266 puts.

Option		Calls Apr	Calls Jly	Calls Oct	Puts Apr	Puts Jly	Puts Oct
Alld Lyons (*475)	460	38	48	63	10	19	22
	500	16	27	42	31	40	44
	550	5	13	25	78	78	78
ASDA (*109)	100	14	21	24	3	4	5
	110	10	15	17	8½	9½	11½

Option		Calls Apr	Calls Jly	Calls Oct	Puts Apr	Puts Jly	Puts Oct
Ultramar (*375)	360	32	45	56	12	15	20
	390	13	30	40	30	32	35

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*180)	160	23	25	28	2	3	5
	180	7	13	16	10	12½	15
Amstrad (*55)	50	7	10½	16	3	5½	7
	60	3½	7½	11	9	10½	12

UK COMPANY NEWS

French acquisition confirms expansion track in lead up to 1992

Irish insurer sold for I£107m

By Patrick Cockburn

ASSURANCE GENERALES de France, the fourth largest French insurance group, has agreed to buy the Irish business of the Insurance Corporation of Ireland for I£107m (£100m).

The corporation has been administered by the Irish courts since 1985 after its London office made losses of some £200m in 1980-84.

Under the terms of yesterday's agreement Mr William McCann, the court appointed administrator, retains responsibility for the corporation's London office and the run-off stemming from claims on discontinued business.

The move by AGF confirms the determination of French insurance companies to expand in the lead up to the European single market. Last year AGF, which has a premium income of FFr 32.8bn, acquired NEM, a small UK mutual insurer and has also taken significant stakes in Assubel of Belgium and Milanese Assurazione of Italy.

The Irish government has formally given its consent to the deal though it must still be approved by the High Court. Mr Desmond O'Malley, the Minister for Industry and Commerce, said the Government would provide AGF and the High Court with necessary assurances about the run-off of remaining liabilities dating from before 1985.

Mr O'Malley said that the I£107m being paid by AGF and funding already provided by the Irish Government would meet the bulk of outstanding claims.

However, he added that he could not be certain that further funds might not be necessary. Claims dating from before 1985 are reinsured but last year the Dublin High Court gave permission for Winterthur of Switzerland and 12 other reinsurers to bring an action disputing claims worth £30m by the Insurance Corporation of Ireland. They alleged fraud by the corporation.

Mr McCann said he had been preparing the Irish business for sale since his appointment in 1985. It has made a profit of I£33m in the past three years.

Steps taken to make the company profitable included the sale of non-core activities in life assurance and banking, an end to underwriting outside Ireland, the appointment of a new management team and the establishment of support for the company in the insurance broking community.

He said that over the last five years the company had achieved a key position in the Irish insurance market. The Irish business, including related assets and liabilities, of the corporation will be transferred to the AGF owned company which will have a capital of I£55m.

Trevor Humphries

LORD KING, British Airways chairman, said yesterday that the airline was exploring the market opportunities to sell and lease back some of the 27 Boeing 737s which it owns or has on financial leases, writes Paul Abrahams.

He said the strength of the second-hand market continued to surprise him, although it did not seem to surprise the industry. It would be right, he added, for the airline to take advantage of the market's buoyancy to increase the company's flexibility and at the same time reduce costs.

"We are always reviewing costs. The insidious growth of overheads is a constant problem at which we are always working. We are wide awake to the danger," he said.

Analysts believe that the need to reduce costs may be paramount during the next year. Lord King warned yesterday that prospects for the company were dependent upon continued worldwide economic growth.

That growth may not be assured, however. Airlines in the US have been reporting a rapid slow-down in their domestic market. About 50 per cent of BA's profits come from its routes to the Americas, and traffic originating from the East Coast of the US appears to be slowing down.

At the same time, all airlines have been suffering from escalating fuel costs.

Hanson advances 15% to £225m in first quarter

By Andrew Bolger

HANSON, the diversified conglomerate, yesterday reported a 15 per cent increase from £195m to £225m in pre-tax profits for its first quarter.

Turnover in the three months to December 31 was £1.82bn, compared to £1.93bn in the previous year.

Mr Martin Taylor, joint vice-chairman, said the figure had been reduced by disposals such as the sale of the Ground Round restaurant chain in the US, a majority stake in Smith-Corona, the US typewriter and word processor company, and Allders, the British department store and duty-free shopping business.

Fully-diluted earnings were up 11 per cent from 3.5p to 3.9p. Undiluted, the increase was from 3.8p to 4.3p.

The scant information available at this stage was slightly above analysts' expectations, although the company does not give any divisional or geographical breakdown. The shares closed unchanged at 227½p.

The figures included a contribution from Consolidated Gold Fields, the mining investment house which Hanson acquired last August for £3.5bn in Britain's largest completed takeover bid. Mr Taylor said the company would not give details of the contribution until the half-year stage.

The tax charge was £54m (£47m). Below the line there was extraordinary income of £182m – largely profits on disposals, such as the sale of ARC America, the aggregates and construction products business which it inherited from Consolidated Gold Fields. Profit available for appropriation was, therefore, £353m (£313m).

Hanson did not give any balance sheet details. However, at the time of the final results to September it had net assets of £7.56bn.

Lord Hanson has already promised to pay dividends totalling 10.4p for the current year to September, an increase of more than 20 per cent. By so doing, he hopes to encourage holders of nearly £1bn of 10 per cent convertible loan stock to convert to equity on February 28.

See Lex

Porth warns of decline after slack Christmas

By John Thornhill

PORTH GROUP, the USM-quoted manufacturer and distributor of Christmas decorations, did not have a very festive season last year, and warned yesterday that pre-tax profits for 1989 were expected to be lower than the previous 12 months.

The company said, however, that profits would be sufficient for payment of a final dividend of 3.2p, making a total of 4.5p.

Mr Jack Mansfield, director, said there were three main reasons for the profits decline: dampened demand because of the high-street retail squeeze; higher labour and material costs exacerbated by unfavourable exchange rates and a bad debt; and a bigger interest charge.

Porth, based in South Wales, was floated on the USM last April at 100p per share. Since then its shares have steadily slipped but were unchanged at 73p yesterday.

The company claims that it accounts for over 70 per cent of all Christmas decorations made in the UK and that its dominant market position will allow it to return acceptable profits in the current year.

Preliminary results for 1989 will be published next month.

Electra Kingsway sets up new investment operation

By David Churchill, Leisure Industries Correspondent

ELECTRA Kingsway Managers, a specialist investor in unquoted companies, has set up a new investment operation to provide equity finance and financial advice for leisure and hotel companies.

The new operation, Electra Leisure, will have access to the investment funds from both Electra Investment Trust, the parent company of Electra Kingsway Managers, and the £486m unquoted investment fund, Electra Private Equity Partners.

One of the first ventures being partially funded by Electra Leisure is understood to be a new hotel chain called Periquito Hotels, to be run by three former senior executives from the Holiday Inn hotel chain.

Electra Leisure is headed by Mr Brian Terry, formerly with Security Pacific Merchant Bank in London.

Two former colleagues from Security Pacific, Mr Michele Meens and Ms Judy Marsden, have joined Mr Terry in the new venture.

Mr Terry said yesterday that the new fund had been established because "the largest impediment to the growth of the leisure industry is the lack of equity finance available to private companies."

Electra Leisure, he added, will seek to build an investment portfolio "consisting of unquoted companies with growth potential."

In addition, joint ventures are planned with established leisure operators in a wide range of sectors, including hotels, resorts, sports clubs, and other companies supplying the leisure industry.

Electra Leisure will initially concentrate on projects within the UK and Continental Europe.

Apart from Electra Leisure, Electra Kingsway has three other investment operations. These are Electra Aviation, an international aircraft leasing company; Electra Property Finance, specialising in the provision of finance for property transactions; and Electra Innvotec, which specialises in corporate ventures.

GEC/Siemens to sell Plessey arm

THE UK's General Electric Company and Siemens of West Germany are proposing to sell Birkby's Plastics, one of the UK's largest producers of plastic injection mouldings, writes Hugo Dixon.

GEC and Siemens acquired Birkby's as part of their joint takeover last year of Plessey, the UK electronics group. Birkby's is based in Liversedge, West Yorkshire and employs 700 people. Its current turnover is approximately £36m and it is said to be profitable.

GEC and Siemens are understood to have decided to dispose of Birkby's because it has little relationship with their core activities. It supplies plastic mouldings principally to their automotive and computer industries.

First Boston, the merchant banking group, has been appointed to look for companies interested in buying Birkby's. It is thought that the most likely acquirers would be large international groups that specialise in plastic mouldings.

Some of the leading plastic manufacturers around the world are: Plastics Omnium of France; Trinova of the US; Dynamit Nobel of West Germany; and Eurotech, part of the UK's BAT Group.

Birkby's is part of Plessey's aerospace and engineering division. Plessey originally acquired it when it took over AT&E in the early 1960s.

Record lifts holding in Easterbrook to 37.9%

By Clare Pearson

RECORD HOLDINGS, the power tool maker embroiled in an acrimonious struggle for Easterbrook Allcard, a private cutting tools business, has bought a further 5 per cent of Easterbrook's shares from Prudential Venture Managers.

It said the cost was 750p per share, the level of its £13.2m recommended offer and the same amount it paid on Tuesday for the 3.1 per cent stake bought from Rowntree Pension Fund.

Record on that day clashed with James Wilkes, the engineering company which has launched an £11.5m hostile offer, over the amount per share they had each offered to Easterbrook's two institutional shareholders.

Together with irrevocable undertakings from Easterbrook directors and certain other shareholders, Record now speaks for 37.9 per cent of the company.

Wilkes has claimed receipt of irrevocable undertakings in respect of more than 50 per cent, but holders of 9 per cent included in this figure are contesting the validity of the undertakings in the High Court. The hearing was adjourned on Tuesday for 14 days.

On Tuesday's conversations with shareholders, Record denies that it ever offered any shareholder more than 750p per share. Wilkes yesterday issued a statement saying that it had entered discussions with the two institutions only after it had become aware Record had made approaches to them.

"The company did not agree to meet the price sought by one shareholder," it said.

Landau quits Imry for fresh pastures

By Paul Cheeseright, Property Correspondent

MR MARTIN Landau, deputy chairman of Imry Merchant Developers, yesterday resigned from the property investment and development group which he created with Mr Martin Myers.

He leaves the group at the end of next month.

Imry was acquired last July for £313.6m by Marketchief, a consortium company set up by Mr Stefan Wingate, who had been running a private property investment company. Mr Landau acknowledged that the company "is a different animal from what it was."

But, he said, he was leaving "to explore other ideas", as there comes a point when "you want to stand back and see what's going on in the world."

His resignation will probably be the most famous pause for mental refreshment in the property industry since Mr Stuart Lipton, now chief executive of Stanhope Properties, left Greycoat in the mid-1980s.

Imry Merchant was created when Mr Landau's City Merchant Developers merged with Mr Myers's Imry International in March 1988. Effectively, it was an alliance between the City Merchant development programme and the Imry investment portfolio to create, in terms of stock market value, the twentieth largest property company in the UK.

Latterly, the group has been best known for its ownership of the site containing the remains of the Rose, the Shakespearian theatre on the south bank of the River Thames. But its development programme continues and yesterday it announced new plans for a three acres site at Islington Green, north London. There it proposes 1175,000 square feet of offices, retail and workshop space and 30 new homes.

ERF in drive to strengthen UK presence

By Kevin Done, Motor Industry Correspondent

ERF (HOLDINGS), the UK heavy truck maker, has formed a financing joint venture, ERF Leasing, with Capital Charter, a leasing subsidiary of Bank of Scotland, aimed at strengthening its presence in UK truck market.

ERF Leasing is the first joint company relationship between a heavy truck maker and a clearing bank group.

The venture will offer a range of financial packages for new and used vehicle purchase and fleet refinancing.

ERF has virtually doubled its share of the UK heavy truck market to 11.2 per cent over the last three years, but the company believes that it must offer much more sophisticated financing packages to support its attempt to raise its share to 15 per cent by the end of 1992.

However, in common with other truck makers it faces a bleak outlook in 1990 as demand plunges. Mr Peter Foden, chairman, said yesterday that overall UK heavy truck sales in 1990 could be 30 per cent below last year's level.

ERF is currently producing only 12 trucks a day compared with a peak of 21 trucks a day a year ago, and it is effectively operating a four-day week with a four-day production shutdown per month, an effective cut of 54 per cent in output.

ERF's financial year runs to the end of March, and Mr Foden warned in November that the steep downturn in the truck market would have a heavy impact on the group's performance in the second half.

Competition in the UK truck market is becoming fierce, as sales decline steeply from last year's record level. ERF's new truck registrations dropped by 42.1 per cent in January, while heavy truck sales overall plunged by 35 per cent.

As part of its venture with Capital Charter ERF is planning to offer contract hire facilities including maintenance and service support in an attempt to expand its presence in one of the fastest growing segments of the UK market.

The company estimates that contract hire already accounts for about 30 per cent of all UK truck sales above 7.5 tonnes gross vehicle weight, most importantly in the light and medium truck segments below 16 tonnes.

ERF, the last remaining independent publicly-quoted UK truck maker, currently gains only about 5 per cent of its sales through contact hire arrangements, but it expects contract hire to become increasingly important also in the heavy truck sector of 16 tonnes and above, where it exclusively operates.

Hungarian offer success

By Clare Pearson

THE OFFER of shares in Hungarian Investment Company, the first quoted fund to be dedicated to equity investments in Hungary, has proved a success.

Kleinwort Benson, sponsors to the offer of shares and warrants, announced that it was oversubscribed by the time it closed yesterday. Details of allocations will be announced shortly.

With a minimum subscription level of $50,000, the offer of 1m shares with warrants attached on a one-for-10 basis, was targeted at professional rather than private investors. Firm undertakings to subscribe for 75 per cent of the issue had been obtained from institutions prior to its launch last week.

The investment company, which emerges in the wake of last year's political upheavals in eastern Europe, is claimed to be the only east European fund to be listed on a leading stock exchange.

Lloyds Merchant Bank rises 58% to £12.8m

By Richard Waters

LLOYDS MERCHANT Bank announced a 58 per cent rise to £12.8m in pre-tax profits for 1989, thanks largely to the sale of stakes in six companies held by its development capital arm.

LMB, which for the first time announced its results ahead of its parent, has recovered from heavy losses in its first two years of trading: in 1986 it lost £21.6m and in 1987, the year it pulled out of market-making in eurobonds, £19.4m.

Mr David Horne, chairman and chief executive, said the profit improvement had come across all four divisions: corporate finance, investment management, stockbroking and development capital.

The current year has begun strongly, with an investment gain from the sale of the bank's holding in Evans Healthcare as a result of a buy-out, he said.

The development capital arm has around 100 investements with a book value of £58m, although LMB said it conservatively estimates them to be worth £20m more than this.

BET to reduce S African holding

By John Thornhill

BET, the support services group, is to reduce its holding in United General Investments, its last remaining South African subsidiary, from 60 to 49 per cent.

Sankorp Group, BET's South African partner, will increase its shareholding in UGI to 51 per cent at the end of the current financial year.

This reduction of BET's stake will have the effect of shrinking its interest in Unitrans, the listed South African specialist freight company, from 48 to 39.2 per cent. Unitrans is 80 per cent-owned by UGI.

BET's South African interests form a small part of its overall business, accounting for less than 1 per cent of earnings.

Eagle Trust confirms LaForza sale for £1

Eagle Trust, the mini-conglomerate at the centre of a Serious Fraud Office investigation, has confirmed the sale of its entire interest in the LaForza car project for a nominal sum of £1.

Mr David James, the company doctor who stepped in as chairman last September, revealed that while Mr John Ferriday was chairman £26m had been transferred from the company's funds to be invested in the project, although £13.5m of this sum was diverted through offshore companies and remained unaccounted for.

The sale of Eagle Trust's interest in LaForza had already been conditionally agreed with Mr Joe Monterosso, who runs the project in the US, by Mr Malcolm Stockdale, Mr James' predecessor.

Caird placing to raise £4.6m

Caird Group is raising £4.6m via a placing of up to 875,000 new ordinary at 526p.

The majority of the shares are being placed on a private placement basis with US "accredited investors" and the balance are being placed with UK investment institutions.

The new shares represent 4.9 per cent of the existing ordinary capital of the company.

The directors said that the company was continuing to invest heavily in upgrading existing facilities and acquiring new businesses which would add to the group's core activities.

The proceeds of the placing will be used to continue this process of expansion.

The new shares will not rank for the first interim dividend in respect of the accounting period to December 31.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Brooke Tool Eng ....fin	1.175†	Apr 3	1.1	1.9	1.8
GC Flooring § ....int	0.9	May 4	0.9	-	2
Gen Cons Inv Tst ....fin	5.46	Apr 2	4.49	9.46	8.44
Leslie Wise ....fin	2	Apr 20	1.75	3.5	3
SEP Industrial §....fin	0.6	-	0.45	1	0.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

BOARD MEETINGS

TODAY

Interims- GT Venture Inv, News International, Photo-Me International, Trace Computers, Wolseley, Yeoman Inv Trust.

Finals- Amstrad, Cranbrook Electronic, Crest Nicholson, Green Property, Independent Newspapers, Norsk Hydro, River & Mercantile, Tribune Inv Trust, Trust of Property Shares.

FUTURE DATES

Interims-

Armour Trust	Feb. 19
Bailey (Ben)	Mar. 5
New Zealand Inv Trust	Feb. 21
Sheldon Jones	Feb. 28

Finals-

BSG Intl	Mar. 28
BWD Securities	Feb. 28
Bensons Crisps	Mar. 27
Chieftain	Feb. 28
Fired Earth Tiles	Mar. 14
Lancs & London Inv Trust	Feb. 22
Renown Inc	Feb. 23
Stat-Plus	Feb. 28
Sycamore	Feb. 16

UK COMPANY NEWS

Leslie Wise unveils 30% improvement to £4.2m

By Vanessa Houlder

LESLIE WISE Group yesterday announced a 30 per cent rise in pre-tax profits from £3.19m to £4.17m for the year to November 30. Turnover increased by 25 per cent from £27.69m to £34.56m.

Mr Leslie Wise, chairman of the textile group, described the results as an excellent achievement in a period of very high interest levels. It demonstrated, he said, the group's quick response to difficult trading conditions. An encouraging start had been made to this year, with sales in all divisions ahead of last time.

Mr Neil Wise, chief executive, said that the group's strong performance was due to its speedy response to changing fashions which stemmed from the lack of any plant or machinery of its own. It took the company less than two months to translate an idea into clothes in the high street, he said.

For example, it was able to switch its products to soft pastel designs when it became clear at Christmas that consumers were unimpressed by the bright, ethnic patterns that had been expected to dominate spring fashion.

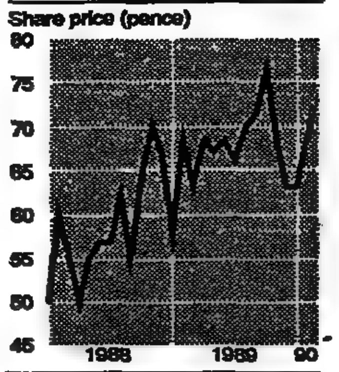
The merchanting division, which dyes and prints fabrics and which is the largest contributor to the profits, increased its market share. Margins were slightly squeezed in the second half as a fall in the value of sterling increased the costs of fabric sourced from Europe and the Far East.

The garment division benefited from a full-year contribution from Jeamland and a two-month contribution from Verna Spence. The Ladies Pride garment operation continued to benefit from the 1988 restructuring.

Earnings per share rose from 7.27p to 8.72p. A final dividend of 2p was recommended, making a total of 3.5p, an increase of 16.7 per cent.

Leslie Wise Group

Share price (pence)



CH Bailey rises to £328,000

CH Bailey, which has interests in ship repairing, yacht chartering, hotels and portfolio investment, lifted taxable profits by 75 per cent from £188,000 to £328,000 in the 28 weeks to October 13.

The increase was struck on turnover only fractionally up at £3.82m (£3.77m).

There was again no tax and earnings rose to 0.541p (0.297p) per share.

Mr Christopher Bailey, chairman, said that he anticipated that results for the second half would show an improvement over the profits made in the first half.

Enlarged Brooke Tool shows decline to £1.53m

MR BERNARD Friend, who earlier this month took over as chairman of Brooke Tool Engineering (Holdings), reported an 8 per cent downturn to £1.53m in pre-tax profits for the year to end-September.

He said profits had been adversely affected by cost over-runs in excess of £200,000 on two orders for broaching systems, particularly one large export order for India.

Another contributing factor to the shortfall was a £141,000 rise in interest charges to £379,000. This resulted from increased borrowings which reflected the group's acquisition activity during the year.

Turnover of the enlarged group, a manufacturer of industrial cutting tools, improved from £19.46m to £22m. Earnings were 3.1p (3.7p) per share and the final dividend is the promised 1.175p which makes a 1.9p (1.8p) total.

Mr Friend said the group was continuing to dispose of operations that were not making a sufficient contribution to profits or were no longer central to its core activities.

GC Flooring shares jump on return to profitability

SHARES OF GC Flooring & Furnishings, a USM-quoted supplier and fitter of carpets, yesterday jumped 25p to 53p following a return to profitability in the six months to end-December.

Profits amounted to £12,000 pre-tax. Although that compared with £285,000 for the opening half of the previous year, the company fell sharply into loss in the second six months of 1988 running up a deficit of £763,000 for that period.

The directors, who are maintaining the interim dividend at 0.9p, believed the improved position together with proposed changes created an "exciting outlook". They also called on shareholders for £1.6m via a two-for-three rights issue at 28p.

Certain directors, their families and trusts accounting for an aggregate 5.61m shares (59.35 per cent) have undertaken not to take up their entitlement in respect of 3.74m shares. These will be taken up by primary underwriters who have agreed to underwrite part of the balance of the issue up to a further 584,501 shares. ANZ McCaughan will underwrite the balance up to a total of 2.01m shares.

First half turnover was little changed at £6.25m (£6.14m). Earnings emerged at 0.001p (1.96p).

Unilever buy

Unilever has acquired Salada from Redco Foods, an US tea company, for an undisclosed sum.

French agency buys 29.9% of Broad St

By Clare Pearson

BOULET DRU Dupuy Petit, the French advertising agency, has completed the acquisition of a 29.9 per cent holding in Broad Street, the USM-quoted UK public relations group.

The deal involves the departure of Mr James Gulliver as chairman of Broad Street. It is designed to give BDDP, frustrated last year in its attempt to take over advertising agency Boase Massimi Pollitt, an alternative foothold in the UK communications industry.

Under pre-sale arrangements, Mr Gulliver together with co-directors Mr Graham Walker and Mr Brian Basham, sold 6.3 per cent of the shares to BDDP. The rest was acquired under a tender offer which guaranteed shareholders the sale of 27.8 shares for every 100 held.

After sales through both routes, Mr Gulliver's holding in Broad Street stands at 2.1 per cent and that of Mr Brian Basham, the company's founder, at 16.6 per cent.

BDDP paid 42.5p per share, which compares with yesterday's price of 32p.

SHARE STAKES

Applied Holographics: Schroders is now managing portfolios on a discretionary basis, holding in aggregate 915,000 ordinary, of which 437,750 are registered in name of Schroder Nominees. Notification is also made under name of Schroder Capital Management International, which now manages on a discretionary basis a portfolio holding 70,000 ordinary. Notification is also made on behalf of Schroders Capital Management International which now manages on a discretionary basis portfolios holding in aggregate a further 1.17m ordinary of which 390,000 are registered in the name of Schroder Nominees.

Associated Energy: Following certain transactions a concert party now holds a total of 6.54m shares (23.6 per cent)

Birmingham Mint: Scottish Amicable has an interest in 741,398 ordinary. (5.21 per cent).

Countryside Properties: Both Mr GS Cherry and Mr RS Cherry have exercised options to purchase 10,000 ordinary each, at 213p per share. Total holding following these notifications is 2.43m each with an option over 150,000 shares (6.7 per cent owned and option over 0.4 per cent).

Courtyard Leisure: John McLaren Donachie has increased his holding to 500,000 shares (6.2 per cent).

Flexello Castors: Mr RM Menko, a director, disposed of 5,000 ordinary at 171p each. Total holding now 210,000 (6.35 per cent). Mr M Menko and Mrs JW Menko now hold 135,254 and 675,254 ordinary respectively.

Royal Insurance: Prudential Corporation (together with that of the segregated funds, which they manage for clients) has increased its holding to 25.97m (5.38 per cent).

Scottish Television: London Uberion (LAS Group) sold 100,000 ordinary. Total holding is now 519,250 (4.62 per cent) registered under Life Association of Scotland.

Shoprite Group: Directors' stakes placed recently with clients of Neilson Milnes: DL Webster 15,000 shares, KA Oxenforth 10,000 shares and MB O'Hare 3,000. The total beneficial holding of all the directors and their interests is 7.58m (65.41 per cent).

SIP Information

SIP

Società Italiana per l'Esercizio delle Telecomunicazioni p.a.

Registered Office in Turin
Share capital L. 3,400,000,000,000 Italian Lire, fully paid
Registered at the Court of Turin No. 131/17 in the Register of Companies
Fiscal Code No. 00530600013

NOTIFICATION

as requested by CONSOB as per Share Prospectus disclosure legislation in connection with

Shares Redistribution

Increase of Shareholders' Equity from L. 3,400 billion to L. 4,670 billion

Notice is hereby given that pursuant to the deliberations of the Extraordinary General Meeting held on 14 November 1989, the following shall be implemented:

- **Redistribution of the ordinary and preference shares which constitute the Shareholders' Equity of L. 3,400 billion by splitting** each share of nominal value L. 2,000 into two nominal value L. 1,000 shares of like category (with the ensuing changes to the conversion ratio of the SIP 7% 1986-1993 convertible debenture loan, issued as per the General Meeting deliberation of 5/11/1986, which shall become equal to two preference shares of nominal value L. 1,000 for each debenture held).
- **Increase in Shareholders' Equity from L. 3,400 billion to L. 4,670 billion, as follows:**
  - a) from L. 3,400 billion to L. 4,650 billion:
    - L. 340 billion as a free bonus issue of 340 million shares of nominal value L. 1,000 each, of which 220 million ordinary and 120 million preference shares, to be allocated to shareholders on the basis of 1 new ordinary or preference share per 10 shares *of the same category already held, following the aforementioned split-share redistribution.*
    - L. 910 billion as a rights issue of 910 million ordinary shares of nominal value L. 1,000 each, all to be offered at a unit price of L. 1,300 (and thus at L. 300 above par) on option to shareholders on the basis of 1 new share per every 4 (ordinary and/or preference) held following the redistribution and to SIP 7% 1986-1993 convertible debenture holders, on the basis of 1 share per 2 debentures held.
  - b) *from L. 4,650 to L. 4,670 billion, that is in the amount of L. 20 billion, as a Company Employee issue of 20 million ordinary shares* of nominal value L. 1,000, to permanent Company employees at a unit price of L. 1,300 (therefore at L. 300 above par).
- In addition the Shareholders resolved to increase Shareholders' Equity - with specific reference to the maximum allowable amount of L. 240 billion made up exclusively of SIP 7% 1986-1993 convertible debentures - by a further maximum allowable amount of L. 24 billion, in the form of 24 million new preference shares of nominal value L. 1,000 each, with the usual entitlements, (hence modifying the conversion rate of the aforementioned debenture loan, which will become 22 preference shares for every 10 convertible debentures held).

The increase of the Shareholders' Equity has been duly authorized by the Treasury Ministry and the resolution has been approved by the Court of Turin.

At the Board of Directors' meeting held on 30 January 1990, in execution of the mandate conferred on it by the aforementioned General Meeting, the following was resolved:

- **Terms for effecting the above operations.**
- **Split-share operation, ordinary and preference shares:** from 15 February to 30 April inclusive, at the Company and appointed offices; thereafter, at the Company offices only.
- **Capital increase assignment rights:** from 15 February to 30 April inclusive, at the Company and appointed offices; thereafter, at the Company offices only.
- **Capital increase, option rights:** from 15 February to 19 March 1990 inclusive, at the Company or appointed offices.
- **Capital increase new share issues to run from:** 1st January 1990.

Split-share and new share subscriptions may be effected at the following offices:

- Company Registered Offices at:
  - Turin - Via S. Dalmazzo N. 15
  - Rome - Via Flaminia N. 189

and, in addition,

- In Italy
  - *at the usual offices and Monte Titoli S.p.A., in the case of shares administered by the latter*
  - abroad
  - at authorized Institute branches

Assignment and option rights may be exercised by completing the specific form available at the abovementioned offices, utilizing:
- For ordinary and preference shares: the rights attached to new share certificates (nominal value L. 1,000, running from 1st January 1990).
- For the SIP 7% 1986-1993 convertible debentures: coupon A of the relative certificates.

Shares, are to be paid for by a sole remittance, upon subscription, at L. 1,300 per share.

Option rights not exercised within the prescribed period shall be offered on the Stock Exchange as per the Civil Code Art. 2441, section 3.

Total subscription of the shares against payment offered to the shareholders and SIP 7% 1986-1993 convertible debentureholders is guaranteed by Mediobanca.

For the new ordinary and savings shares originated from the capital increase and receiving interests as of 1st January 1990, a separate quotation will be required on all Italian Stock Exchanges.

In agreement with the Turin Stock Exchange Dealers' Management Committee, it was decided to accept old certificates (representing shares of nominal value L. 2,000 each) for liquidation in February 1990, whereas for March 1990 only new certificates (representing nominal value L. 1,000 shares) may be used.

For the Board of Directors
MICHELE GIANNOTTA
(President)

Share Prospectus filed at the CONSOB Prospectus Registry on 8 February 1990 File No.1477.

A copy of the aforementioned Share Prospectus shall be available free of charge to whomsoever should so request it, at:

a) the registered office of the issuing body

b) *The Exchange Dealers' Management Committees and the Share Listing Commissions for all Stock Exchanges*

c) duly appointed offices.

Publications of the Prospectus does not imply approval on the part of CONSOB of the investment proposed nor of the merit of the data and Prospectus information.

The body responsible for publishing the Share Prospectus shall be held solely liable for the completeness and truthfulness of the information printed therein.

Gruppo IRI-STET

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
2nd qtr	108.5	112.5	32.9	118.7	132.7	2,384	268.9
3rd qtr.	110.7	115.9	32.7	120.1	136.9	2,228	244.3
4th qtr.	110.5	117.5	33.5	121.9	138.4	2,161	241.4
1989							
1st qtr.	108.7	118.9	33.9	121.3	128.4	1,982	226.6
2nd qtr.	108.4	119.4	34.9	120.9	132.7	1,834	222.4
3rd qtr.	110.9	120.9	[illegible]	121.5	134.7	1,743	[illegible]
January	109.2	118.2	35.4	119.8	124.9	1,996	230.9
February	109.2	118.6	36.9	121.6	128.9	1,969	228.9
March	110.1	120.0	32.7	122.4	127.4	1,917	224.9
April	110.5	119.9	34.7	120.7	131.6	1,865	222.2
May	105.4	118.8	34.1	[illegible]	133.4	1,826	218.5
June	109.2	119.8	34.9	121.4	133.9	1,810	224.4
July	110.3	119.9	34.7	120.9	135.9	1,767	220.5
August	111.7	120.6	35.3	121.4	134.9	1,745	219.6
September	110.8	119.4	35.9	122.1	132.9	1,694	220.7
October	112.0	120.5	35.6	122.6	140.2	1,674	214.9
November	111.4	119.6		121.7	152.5	1,676	208.6
December				123.4	166.5		

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
2nd qtr	111.7	108.7	100.9	118.4	129.8	100.9	20.9
3rd qtr	114.1	112.1	103.3	114.3	125.6	101.7	20.4
4th qtr	114.4	116.1	103.3	116.6	124.2	101.2	18.4
1989							
1st qtr.	115.1	119.7	103.9	119.3	130.2	101.9	17.9
2nd qtr.	115.6	120.4	102.8	120.2	122.6	98.9	18.6
3rd qtr.	115.2	134.3	104.4	122.1	124.2	97.9	14.6
March	115.9	119.6	104.2	119.9	127.0	100.9	15.9
April	116.2	117.3	105.7	118.0	128.8	99.0	18.4
May	115.4	120.3	101.1	121.5	123.8	99.0	19.6
June	115.1	122.1	101.8	122.6	128.6	98.0	17.7
July	115.7	124.2	102.3	123.0	122.0	98.8	18.5
August	116.2	125.7	105.2	123.0	124.9	97.0	14.1
September	124.7	132.1	105.2	121.8	127.9	98.6	14.2
October	113.9	122.3	105.2	126.8	122.5	94.8	15.1
November	114.9	128.5	105.9	124.0	118.9	95.0	18.4

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	107.3	119.8	-4,020	-3,061	+730	97.6	44.84
2nd qtr	114.9	128.2	-4,529	-2,761	+380	97.1	48.52
3rd qtr	112.8	134.6	-5,724	-3,322	+627	97.2	50.43
4th qtr.	107.3	134.7	-6,465	-5,461	+380	98.7	51.88
1989							
1st qtr.	112.8	140.1	-5,900	-4,590	+281	98.7	50.46
2nd qtr.	114.4	139.8	-4,852	-5,036	+289	98.9	49.67
3rd qtr.	118.4	145.7	-6,068	-6,464	+322	98.3	
4th qtr.	122.7	139.8	-4,532	-4,232	+529	98.9	38.86
January	117.1	145.1	-2,047	-1,846	+115	98.9	51.71
February	105.1	138.9	-2,224	-1,823	-8	98.6	51.86
March	116.3	136.2	-1,702	-1,239	+141	98.7	
April	119.5	139.7	[illegible]	-1,921	+116	98.9	47.26
May	115.2	136.0	-1,725	-1,453	+57	98.8	46.09
June	117.3	141.7	-1,951	-1,679	+134	98.9	43.67
July	115.8	148.1	-2,543	-2,475	+77	98.2	43.63
August	113.1	140.3	-2,242	-2,174	+142	98.6	43.21
September	125.4	148.8	-1,884	-1,816	+102	98.9	42.89
October	120.3	142.4	-1,820	-1,720	+186	98.3	39.88
November	121.4	135.7	-1,497	-1,397	+204	96.1	38.77
December	128.4	138.1	-1,215	-1,115	+196	97.5	38.65

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow £m	Cnsmr. credit† £m	Base rate %
1988							
2nd qtr	6.5	14.6	16.6	+22,396	4,173	+1,027	
3rd qtr.	7.7	16.6	18.5	+22,492	3,162	+985	11.50
4th qtr.	7.7	16.9	17.6	+18,898	3,146	+985	12.75
1989							
1st qtr.	6.7	15.2	18.2	+21,152	2,662	+694	13.00
2nd qtr.	6.0	11.3	18.8	+20,325	1,735	+898	14.00
3rd qtr.	5.3	10.9	17.4	+25,152	2,285	+882	14.00
4th qtr.	5.6	10.2	17.6	+20,480	1,057		15.00
January	7.4	15.6	18.9	+7,811	784	+152	13.00
February	6.6	16.5	[illegible]	+6,043	1,064	+290	13.00
March	6.1	14.7	[illegible]	+6,298	813	+339	13.00
April	5.6	14.5	17.9	+6,346	1,175	+347	13.00
May	6.2	13.6	18.1	+6,427	713	+471	14.00
June	5.9	11.3	18.6	+7,580	-152	+196	14.00
July	5.2	10.1	16.6	+7,742	846	+248	14.00
August	6.1	10.1	17.2	+7,925	621	+388	14.00
September	4.5	9.9	17.3	[illegible]	615	+74	14.00
October	5.2	9.8	17.2	+5,161	784	+174	15.00
November	5.7	10.7	17.4	+4,863	177		15.00
December	6.0	9.8	18.3	+10,458	179		15.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1988							
1st qtr.	96.4	98.9	111.8	103.7	103.6	1,747	75.3
2nd qtr	[illegible]	97.3	112.8	106.2	104.6	1,217	77.6
3rd qtr.	100.8	98.8	113.9	108.4	104.7	1,302	75.9
4th qtr.	104.1	100.1	115.2	109.9	105.7	1,607	77.5
1989							
1st qtr.	105.4	102.8	[illegible]	111.7	107.2	1,974	97.1
2nd qtr.	108.0	104.4	118.2	114.9	110.2	2,016	93.6
3rd qtr.	110.0	103.1	119.5	116.0	110.7	1,912	91.7
4th qtr.						1,843	88.0
January	104.2	104.0	116.4	111.0	107.4	1,969	97.9
February	104.6	101.9	116.8	111.8	[illegible]	1,994	97.4
March	107.3	102.4	117.2	112.3	108.3	1,899	95.9
April	107.3	103.0	[illegible]	114.3	109.6	2,015	95.5
May	107.5	104.7	[illegible]	115.0	110.3	2,019	94.3
June	109.1	104.7	118.6	115.4	110.7	2,027	91.1
July	110.3	102.5	119.0	115.5	110.1	1,949	92.2
August	108.1	102.7	119.5	115.8	110.6	1,902	91.8
September	110.7	105.8	120.0	116.6	111.3	1,883	91.3
October	111.7	104.1	120.6	117.5	112.4	1,880	88.7
November	113.0	105.8	120.9	118.5	113.5	1,869	87.9
December				118.8		1,815	85.5

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

UK COMPANY NEWS

Axa's axles grounded on public road-block

Efforts to justify the possible sale of Farmers were briefly halted. Nikki Tait reports

IF IT'S Tuesday, it must be California. The roadshow surrounding Axa-Midi Assurances' chase for regulatory clearance to own Farmers Group, BAT's US insurance subsidiary, trundled into its second state this week – and was promptly left in no doubt that it had hit Farmers' home territory.

Only three hours into the hearing before the California Insurance Department, all the elegant financial arguments over potential gearing ratios and tax structures were swept to one side.

High-powered lawyers and much of the top brass at Axa – which plans to buy Farmers for $4.5bn from Sir James Goldsmith's Hoylake consortium if the latter makes a successful bid for BAT – sat meekly silent as the floor was given to the populist voice.

"Millions of Californian policy-holders are the innocent bystanders in international financial intrigue," claimed Mr Harvey Rosenfield, from Voter Revolt, one of the major forces behind California's Proposition 103 legislation. This is the insurance reform law which resulted from a revolt by Californian consumers against escalating automobile rates.

"The insurance commissioner should require Farmers and Sir James Goldsmith to post a $100m 'good driver bond' before she either approves or rejects the merger," urged one of his two fellow-speakers, Mr Bob Gnaizda, from Public Advocates.

The bond, he explained later to the carefully-alerted battery of TV cameras and radio reporters who followed in the consumer lobby's wake, would be held by Commissioner Ms Roxanne Gillespie. If individuals felt they had been unfairly treated by the insurance company, she would have the discretion to make payments to them from this pool of money.

On the way, Mr Gnaizda and Mr Rosenfield managed to drop some swingeing allegations about "red lining" by Farmers (meaning allegations that it refused to insure drivers in some urban areas) and other allegations about the insurers' failure to sell good-driver discounts to certain customers.

All this is speedily denied by Farmers, which is based in Los Angeles and derives about 40 per cent of its business from California. Red lining is, after all, an illegal practice.

Quite what Sir James would make of million-dollar protectionist bonds, history does not relate.

But the bizarre break in the proceedings was a salutory reminder that for the California Insurance Department, and even to an extent Farmers, his predatory ambitions are something of a distant irritant compared with the all-too-present, lawsuit-littered tunnel of Prop 103.

Bob Gnaizda has proposed that Roxanne Gillespie (left), should hold a $100m 'good driver bond' put up by Sir James Goldsmith (right), were Hoylake to win control of BAT

Insurance Department officials, who had appeared less than enthralled as the Axa-Farmers arguments were paraded, scribbled dutifully as the consumer lobby took the floor.

For this reason alone – the sheer workload which Prop 103 has generated – the state's tight eight-day hearing timetable on the Axa-Farmers matter is probably welcome.

Cross-examination of the selected witnesses is limited to one hour and already the lawyers have been claiming Brownie points for brevity.

The French contingent is somewhat less adept at this game. Mr Claude Bébéar, Axa's chairman and fairly expansive by nature, repeatedly constrained himself to yes and no replies in a series of cleverly-designed questions, before bursting forth into a torrent of explanation. He received several gentle reprimands from the hearing officer.

The California proceedings offer a sharp contrast to the Illinois hearings where a record is being set up for the other eight states (including California) which must decide on Axa's suitability.

There, matters have already lasted several months and are still continuing.

Other contrasts are noticeable, too. Gone is Chicago's comfortable Conference Centre and the California hearing is unfolding in a grim neon-lit auditorium of the State Building in downtown Los Angeles.

"It's a wild place, California," remarked one observer as the consumer group's shenanigans erupted. Indeed. Taped on a pillar at the State Building's entrance yesterday was the announcement: "Insurance hearing, Room 122." Underneath it, a similar handwritten notice read: "Cemetary testing, Room 1,238."

Axa and Sir James can only hope that their aspirations will not be buried as the parochial matters press in.

US interests accelerate Norton to £517,000

WITH THE boost of substantial profits from the US, Norton Group doubled its pre-tax outcome for the half-year ended October 28 1989 from £257,000 to £517,000.

The group is involved in engineering and distribution, makes the Norton motorcycle and rotary engines, and in the US distributes pipe fittings and flanges.

Last June it reversed into Minty, the Oxford-based furniture maker, and gained a full listing. But Minty's assets have been sold, or are contracted to be sold.

Mr Philippe Le Roux, chief executive, said those Minty businesses showed a marginal profit whereas the engineering and distribution divisions were profitable. Pro-Fit, in the US, made a "substantial contribution".

The Norton motorcycle and rotary engine business lost money. But the award of a US navy contract for rotary engines and the launch of the F1 motorcycle should lead to Norton Motors breaking even in the second half and trading profitably thereafter, he claimed. Deposits had been taken against over 90 orders for the new F1.

Referring to property sales, Mr Le Roux said the Oxford transaction was subject to completion at the end of March. Contracts for the sale of the Camden properties were not fulfilled, but the substantial deposits forfeited covered their carrying costs. They were currently on offer.

CRH pays £13m for three US companies

By John Thornhill

CRH, the Irish building materials group, has expanded its interests in the US through the acquisition of three companies for $22.4m (£13.3m), including the assumption of debt.

The acquisitions have been made through Oldcastle, its US holding company. They are Betco Block and Products, Goria Enterprises, and Eastern Prestressed Concrete Systems. In 1989 they made a combined trading profit of $4.8m on sales of $40.7m.

Betco has operations in Maryland and Virginia and makes a range of building products, including concrete masonry, paving products and clay bricks. It mainly serves the housing markets in the metropolitan area around Washington DC.

The North Carolina-based Goria produces concrete masonry, patio pavers, and concrete burial vaults. Mr Pierre Goria will remain chairman and will run the company in close association with Betco and Adams Products, which was bought by CRH in 1987.

Eastern Prestressed Concrete Systems, based in Philadelphia, manufactures structural concrete for buildings and bridges for use in parking decks and highway bridges.

CRH claimed the company would complement the activities of its existing Spancrete Northeast subsidiary which is centred in New York state. The combined sales of the two companies will be about $50m.

European side helps SEP improve 88% to £2.49m

TAXABLE profits of SEP Industrial Holdings, the USM-quoted manufacturer and distributor of industrial fasteners and precision components, expanded by 88 per cent to £2.49m in the 12 months to September 30 1989.

Mr Paul Formby, chairman and chief executive, said the outcome – up from £1.33m last time – reflected the substantialexpansion of the group's international distribution business with strong contributions coming from the European division and the components and linkages side.

Turnover was sharply higher at £47.68m (£17.37m). Earnings rose to 4.01p (3.14p) and a proposed final dividend of 0.6p makes a 1p (0.75p) total.

Mr Formby warned that trading conditions in the UK had become "increasingly difficult" since the group's year-end.

However, with more than half of turnover and a substantial proportion of profits coming from overseas markets, he believed the group was in a strong position to withstand the effects of any continued downturn in the UK.

All-round rise at General Consolidated

All-round growth was shown by General Consolidated Investment Trust in the year ended November 30 1989 with higher income, earnings, dividend and net asset value.

Gross income rose to £5.6m (£5m) and net revenue to £4.2m (£3.78m). On the income shares, earnings came to 9.46p (8.45p) and the dividend is raised to 9.46p (8.44p) with a final of 5.46p. The stepped preference shares receive 2.795p (2.6p).

At November 30 net asset value per income share had moved up from 53p to 56.9p, and per preference share from 106.2p to 114.2p. By December 31 some 35 per cent of the portfolio was invested in smaller companies and it is planned to add to that exposure.

Anglesey placing to raise £1.5m

Anglesey Mining is raising £1.5m via a placing of 1.01m new 9p ordinary shares at 154p apiece by Kleinwort Benson Securities.

The proceeds will be used to continue certain underground development and engineering work throughout the final feasibility and financing stage of the Parys Mountain base metal project.

Initial results have been encouraging and a target date for completion of the feasibility study has been set for July 1990. Discussions have already started with a number of banking institutions for the financing required to bring the Parys Mountain mine into production.

Dealings in the new shares will begin on February 22.

COMPANY NEWS IN BRIEF

CLAYFORM PROPERTIES is to buy from Western International Trust its entire holding of 4.46m Dunloe House shares (25.1 per cent) for about £1.84m. Clayform has also agreed to buy a further 1m Dunloe shares for about £420,000. At present it owns 5.23m (29.5 per cent), but, if the requisite approvals are given, it will own 10.7m (60.2 per cent), in which case it will make an unconditional cash offer of 45p for each Dunloe share.

NATIONAL AUSTRALIA Bank has completed the acquisition of Yorkshire Bank for an aggregate cash consideration of £976.5m, plus £19.7m in respect of accrued interest.

STEEL BURRILL Jones Group: necessary consents from Lloyds have now been obtained for the acquisition of a controlling interest in SBJ North America so the transaction can now be finalised.

UDO HOLDINGS has agreed to purchase the trade and certain assets of Birmingham-based DM Reprographics for £1.26m, to be satisfied by the issue of 100,000 shares and £1.04m cash. UDO will also acquire stock at valuation which will not exceed £80,000.

PUBLIC WORKS LOAN BOARD RATES

Effective February 14

	Quota loans repaid			Non-quota loans A* repaid		
Years	by EIP†	ANT††	At maturity§	by EIP†	ANT††	At maturity§
1			$14\frac{1}{8}$			$14\frac{3}{8}$
Over 1 up to 2	$13\frac{7}{8}$	$13\frac{7}{8}$	$13\frac{1}{8}$	$14\frac{7}{8}$	$14\frac{7}{8}$	$13\frac{7}{8}$
Over 2 up to 3	$13\frac{3}{8}$	$13\frac{3}{8}$	$12\frac{5}{8}$	$14\frac{3}{8}$	$14\frac{1}{4}$	$13\frac{3}{8}$
Over 3 up to 4	13	$12\frac{7}{8}$	$12\frac{3}{8}$	14	$13\frac{7}{8}$	$13\frac{1}{8}$
Over 4 up to 5	$12\frac{3}{4}$	$12\frac{5}{8}$	$12\frac{1}{8}$	$13\frac{3}{4}$	$13\frac{5}{8}$	$12\frac{7}{8}$
Over 5 up to 6	$12\frac{1}{2}$	$12\frac{3}{8}$	$12\frac{1}{8}$	13	$12\frac{7}{8}$	$12\frac{5}{8}$
Over 6 up to 7	$12\frac{3}{8}$	$12\frac{1}{4}$	12	$12\frac{7}{8}$	$12\frac{3}{4}$	$12\frac{1}{2}$
Over 7 up to 8	$12\frac{1}{4}$	$12\frac{1}{4}$	$11\frac{7}{8}$	$12\frac{3}{4}$	$12\frac{3}{4}$	$12\frac{3}{8}$
Over 8 up to 9	$12\frac{1}{4}$	$12\frac{1}{8}$	$11\frac{5}{8}$	$12\frac{3}{4}$	$12\frac{5}{8}$	$12\frac{1}{8}$
Over 9 up to 10	$12\frac{1}{8}$	$12\frac{1}{8}$	$11\frac{1}{2}$	$12\frac{5}{8}$	$12\frac{5}{8}$	12
Over 10 up to 15	$11\frac{7}{8}$	$11\frac{1}{2}$	11	$12\frac{3}{8}$	12	$11\frac{1}{2}$
Over 15 up to 25	$11\frac{1}{8}$	$10\frac{7}{8}$	$10\frac{3}{4}$	$11\frac{5}{8}$	$11\frac{3}{8}$	$11\frac{1}{4}$
Over 25	$10\frac{7}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$	$11\frac{3}{8}$	$11\frac{1}{8}$	$11\frac{1}{8}$

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

TECHNOLOGY

Ground control to trucker Tom

Della Bradshaw reports on techniques that allow a company to contact its fleet vehicles instantly

The scenario is all too familiar. A customer phones to say that he needs a sackful of widgets immediately. The manager has to work out not only which of the companies' delivery vehicles is nearest to the customer, but also how to get in touch with the driver to tell him or her to make the unscheduled stop.

In spite of the enormous publicity given to mobile communications systems, the simple need for companies to keep in touch with their fleets of cars or lorries is often overlooked. But while the suppliers of up-market personal gizmos have been stealing the limelight, technologists have been beavering away to bring modern communications to vehicles — from the local taxi to the international lorry.

Computer-controlled digital signalling and satellite transmissions are just two of the technologies making their debut as a way to help freight companies locate their vehicle fleets and send voice or text messages to them.

The US, home of the transcontinental juggernaut, is at the forefront with combined vehicle location and messaging systems already in use.

Take the Schneider National truck company, from Green Bay, Wisconsin, which has a fleet of 5,000 articulated lorries (plus a further 2,500 on lease) which ply their way across North America from Vancouver to Miami. Until a year ago, once a driver had delivered a load to its destination, he or she had to resort to a public phone box in order to find out where the next job would be.

Now, says Dan Sellers of Schneider, the destination is sent electronically via satellite, and picked up and displayed on a computer terminal in the cab of the lorry.

Schneider uses a system developed by Qualcomm, of San Diego. When an order comes in, the information is fed into the Schneider mainframe computer in Green Bay. A message is sent from this computer to Qualcomm's, and from there to a geostationary satellite hovering in orbit 36,000 km above the equator.

The message is then transmitted right across North America, but in code so that only a truck with the appropriate receiving equipment can pick up the signal.

The time between the message leaving the Schneider mainframe and an acknowledgement being received in Green Bay is between two and three minutes. That may not be particularly fast in the split-second world of the computer industry, but it is considerably quicker than asking the driver to find a public call box.

Sellers estimates that the installation of the system has resulted in savings of between one and two hours of each driver's time every day. With 5,000 trucks on the road that is a potential saving of 50,000 hours a week — enough to drive about 1.5m miles, or from Canada to Mexico and back more than 150 times.

As well as transmitting text messages, the Qualcomm system incorporates a location system called Loran C, which uses data transmitted between the mobile unit and two satellites to pinpoint the vehicle's position.

This helps Schneider give a better service to its customers, says Sellers. "The customer may call in and want to know where his shipment is and when it will arrive. We can say, 'It's 50 miles south of Chicago, Illinois, so it should be with you this afternoon.'"

Schneider says the vehicle location service also means a tighter control can be kept on the whereabouts of the fleet, and so the company can more easily work out which lorry should be sent where.

Although pioneered in the US, similar services are being introduced in other countries by the international satellite organisations.

Eutelsat, the European Telecommunications Satellite Organisation, based in Paris, is conducting trials of a service called Euteltacs, based on equipment from Qualcomm which is working with Alcatel, the French telecommunications company. The 26 countries which are signatories to Eutelsat will be able to use its satellites to send text messages backwards and forwards between a fixed base and a vehicle.

To use the service, the lorry will be kitted out with an 11-inch circular antenna on the cab roof, an electronic transmitter and receiver, and a small display unit with keyboard.

Another trial service is being offered by Inmarsat, the international maritime organisation. The equipment for Inmarsat C is similar to that for Euteltacs, but with a cone on the cab instead of a dish.

At present, telex-type messages can be transmitted between a company's headquarters and its vehicles. Eventually this will be extended to allow information to be faxed or sent by electronic mail.

Inmarsat, based in London, is not planning to introduce its own vehicle location system, but to enable its service to work with ones already available, such as Loran C, in North America and parts of Europe, Glonass, the Soviet pinpointing system, or the Navstar Global Positioning System (GPS), the US defence system.

Although both the US and Soviet systems were originally designed to pinpoint military vehicles, both will introduce a less sophisticated version for commercial use. The GPS system, for example, will eventually have 21 satellites tracing an elliptical orbit, giving 24-hour-a-day coverage anywhere in the world. The military part of the system will allow vehicles to be located to within 18 metres, the section hived off for commercial use may only need to calculate the position to within 100 m.

Although all this may seem like pie in the sky, by the end of this year users in European countries will technically be able to get access to the GPS system for between 14 and 18 hours every day — that is the period when four of the orbiting satellites will be in view at any one time.

With the Qualcomm system, the vehicle is located by comparing the time it takes for signals to travel between it and two satellites. The more sophisticated GPS system needs four satellites to pinpoint position, but it can also calculate distance from the earth — making it ideal for locating aeroplanes as well as road or sea vehicles.

Steve Horrocks, manager of navigation systems at STC, the UK electronics group which is one of the equipment manufacturers for GPS, believes the system could be used commercially to track the route of valuable loads — gold or missiles, for example. Eventually he believes it could be combined with geographic information systems to give route information.

One network for tracking vehicles to within a distance of 50 m is already in use in the UK. Developed by Securicor, the security company, the Datatraks system uses radio antennae to send messages to and from the mobile unit, and so calculates the vehicle's position by comparing the signals sent back to the nearest group of antennae.

For those who just want to get messages backwards and forwards, the more traditional mobile radio companies, such as Band Three Radio, of Basingstoke, and National One, of Chelmsford, which use earth-bound radio receivers, are beginning to offer national services.

Eventually Callum Mackie, sales and marketing director of Band Three, believes companies may be able contact vehicles travelling through other European countries, as operators in West Germany, Holland and Denmark introduce radio networks based on the same equipment. "For your average-sized UK company based in Slough, with one salesman in West Germany, for example, it could be possible for the German and UK operators to agree to interconnect those services."

A phone for all seasons

A PORTABLE phone, which can be used to send and receive calls in your car, in the street, at home or in the office, has been announced by Ericsson Paging, of Amsterdam, part of the Swedish Ericsson group.

Ericsson calls the phone, which weighs just 190 grams, the CT-3 (CT standing for cordless telephone). The Dutch company has already said it will begin field trials of the system later this year, and other telephone companies are expected to follow suit.

CT-3, which is Ericsson's solution to personal communications, combines the emerging technologies for digital cordless phones (known as Dect) and pan-European cellular phones (GSM).

In the street, the phone will be able to receive and transmit calls using public base stations, while on the move the handset will be linked by radio to a base in the car, and from there into the cellular radio network. At home, it will be just like today's cordless phones, while in the office users will carry the CT-3 in their pockets. The switchboard will then route any call to that extension through a radio link.

New sources of innovation

CHIEF executives and technical directors in manufacturing industry expect big changes in the way they manage innovation over the next five years, writes Clive Cookson.

According to a survey by SRI International, of Croydon, which took in the views of 350 respondents in the UK, West Germany and France, traditional R&D will be a declining source of innovation. "Human resource management" — getting more innovation out of everyone on the company's payroll — will become more important, as will purchasing, marketing and sales.

At the same time, executives say an increasing share of new technology will come from outside the company, from collaborative R&D and from licensing arrangements.

Seventy-three per cent of UK technical directors rate their own R&D as the most important source of technology today, but only 46 per cent say it will be the most important source in 1995. The equivalent figures in West Germany are 88 per cent today and 63 per cent in 1995.

WORTH WATCHING

Edited by Della Bradshaw

Pencil-shaped motor

THE chubbiness of conventional electric motors can stifle creative design, writes Lynton McLain.

Long thin motors could offer fresh opportunities for designers and so George Kidd, a retired Ferranti engineer from Edinburgh, has developed two pencil-shaped prototypes, the larger with an outside diameter of 1.25 in and the smaller, 0.85 in.

The thin motors have a greater power output than conventionally shaped ones, and their small diameters open the way to specialised applications, including power tools for dental use or for delicate grinding work, such as in jewellery production.

They are even small enough to be used as drive motors sitting inside the rollers of conveyor belts.

The long slim design has its wire coil windings on the outside of the armature, unlike a conventional motor.

Plumping up food supplies

WAYS OF helping farmers to increase the world's food supplies — by producing plumper sheep and cattle and by increasing the breeding of hens or rabbits — have been developed by Russian microbiologists and French software writers.

● The first is a dietary supplement known as BVK and developed by the National Research Institute of Protein Substances, in Moscow. The substance is based on paprin, a yeast grown on purified petroleum paraffins. The paprin enriches the diet with protein and vitamins as well as amino acids, which make the animals grow.

According to Soviet tests, the amount of grain fed to the livestock can be reduced by 30 per cent, while the animal may increase its weight up to twice as quickly as it would on a conventional diet.

Nor is BVK intended solely for animals on the farm. Its inventors, who are hoping to interest overseas companies in their formula, claim it is also good news for carp and even mink.

● The second comprises two software packages developed by Eclat, in France, which help rabbit and poultry breeders to increase "production."

The two packages — Clap and Plum — help farmers to interpret the mass of data on breeding performance to produce optimum results. The packages, which run on any IBM or compatible personal computer, can also be used to plan work, classify breeders and produce calculations.

To make the system more portable, Eclat has brought out a software package that enables part of the information to be taken into the coop or hutch on a Psion Organiser II portable computer.

A book typeset at bedtime

HOW DO you get a book typeset in a hurry? Send it to a place where the time difference means that it can be typeset while the publishers are asleep — Mauritius for example.

When Century Hutchison presented Selectmove, the west London typesetter, with a 410-page manuscript that needed to be produced in a hurry, Selectmove sent the manuscript by fax that afternoon to its Mauritius office.

There, some of its 100 staff keyed in the script in a form ready for pagination and sent it back to the London office over a data line.

As a result, The Bold Thing — a novel about terrorist involvement in the bloodstock industry — will be on the shelves six to eight weeks more quickly.

CONTACTS: Ericsson: Netherlands, 20 575 3284. SRI: London, 686 5555. Kidd: UK, 031 337 6400. National Institute of Protein Substances: USSR, 095 272 10 23. Eclat: France, 65 72 95 58. Selectmove: London, 749 9014.

BUSINESS LAW

EC Directives change securities markets

By Alastair FitzSimons

On February 12 the International Stock Exchange implemented the provisions of the EC Directives on admission requirements for Official Listings. The debate surrounding the future of the USM, the demise of the Third Market by 1 January 1991, and the possibility of the Stock Exchange being required to grant Official Listing status to securities that have received placings in other EC member states through the submission of a prospectus, continues.

The European Community's plan for the process of gaining admission to official Stock Exchange listings in Europe first took shape in 1980, when a Directive (80/590) was adopted within the broader Community scheme for easing the path of establishment of member states' companies in other EC countries through the harmonisation of various rules relating to the establishment and functioning of companies.

The requirement for implementation of the Directive in domestic law was met, in the UK, by Part IV of the Financial Services Act 1986, and pursuant to this through amendment to the rules of the International Stock Exchange (the "Yellow Book").

Essentially, the Directive provided for the adoption, by Stock Exchanges in all the member states, of certain minimum standards — principally, for a documented three-year trading history for the entity issuing the securities and applying for placement on the official listing.

Under the 1980 regime, the rules for admission to the Stock Exchange could not fall below these minimum standards, although they could exceed them. Thus the strict rules relating, in the UK, to admission to the International Stock Exchange could be maintained.

However, in 1987 the regime changed with the adoption of a Directive 87/345 amending the earlier one. The amendment was intended to prevent differing national standards that exceeded the minimum standards from acting as barriers to the admission to an official listing of securities that had already received such status in another member state Stock Exchange.

This was done through the mutual recognition of standards — a concept frequently used by the Community in preventing differing national standards from acting as barriers to trade. Where a Community law provides for mutual recognition of standards, member states cannot rely on their own, possibly higher, national standards in order to prevent the entry into that state of goods or services from another member state that meet minimum standards specified in Community legislation.

Thus, under Article 24a(2) of the amended Directive "listing particulars approved by the competent authorities [...] must be recognised in another member state in which application for admission to official listing is made." This requirement is subject to very few exceptions (relating mainly to requirements for local market information to be contained in the applications made in each member state).

Moreover, Article 24b provides for the recognition of listing particulars of prospectuses drawn up and approved at the time of a public offer by the competent authorities of a member state either simultaneously or within a three-month period of that application being made by prospectus. The same limited exceptions apply.

A further Directive, 89/298, provides for certain minimum standards relating particularly to the information contained in prospectuses to apply to prospectuses published where securities are to be subject to public offer for the first time.

It is thought that in connection with this Directive there may be a need to amend Part IV of the FSA to provide for admission to the Official Listing of securities admitted to other listings after submission of an approved prospectus.

Clearly, if the International Stock Exchange is to apply the same standards to securities issued on a purely national basis as to those securities that in addition to seeking admission to the UK official listing have sought and obtained admission to official listings in other member states, the standards applicable to our own Stock Exchange will increasingly resemble those found in other member states.

In its 1989 consultative document, The UK Primary Markets, the Committee on Quotations of the International Stock Exchange (ISE), recognised that a five-year trading history requirement, already at odds with the three-year requirement found in other European countries and in the US, could not be reasonably maintained for domestic securities issuers, where issuers from other member states are gaining admission to the same official list on a three-year trading history.

The Committee also pointed out that the UK Stock Exchange would need to move from a five-year history requirement to a three-year history requirement in order to remain competitive in attracting foreign companies with Stock Exchanges in other countries.

The likelihood of such a move has been recognised for some time. The consequences for the USM could have been fatal. With little to choose between Community minimum standards for admission to official listings and the requirements of the USM, a move by the UK Official Listing to these standards would deprive the USM of most, if not all, of its attractiveness as an alternative to an Official Listing Placing.

Speculation that a consequence of the EC Directives would be the demise of one or both of the UK secondary and tertiary markets was denied by the Commission. Its view was that the requirements of mutual recognition of standards would not inevitably require member states to adopt the same standards in relation to domestic securities as for securities admitted in other states, which would reduce the scope for operating a number of different markets with admission requirements containing substantial differences.

Further changes to the rules governing the admission to the Official Listing in the UK to accommodate admissions obtained by prospectuses on other official listings might well prove less comfortable than the changes to the Yellow Book now being introduced.

From the reaction in the press so far, it would appear that the reduction of requirements to three years' trading history for the Official Listing and consequent amendment to the USM (now two years' trading history requirement) in order to retain two distinct securities markets, is broadly welcomed.

However, this may merely reflect a view that the ISE has succeeded in doing no more than making the best of a difficult situation, leading to the inevitable demise of the Third Market (new companies have not been admitted to the Third Market since 11 January) and the possibility of significant loss of interest in the USM.

If the USM is to continue to be as successful, it is important that it remains competitive in terms of cost advantages and regulations on further issues and acquisitions. Were the ISE to again reduce domestic standards in order to compete with standards on continental Stock Exchanges set by the minimum standards contained in the Prospectuses Directive, the value of maintaining two separate markets might be questioned.

The approach of the ISE has been based upon a realistic assessment of the environment for international competition for securities listing admissions, as defined by EC regulations, and by a recognition that there is undoubted value in the USM and considerable disquiet about the standards and supervision by sponsors on the UK's own Third Market.

This approach can be contrasted with that of the European Commission which has been to focus merely on the effects of strict compliance by member states with the provisions of the Directives rather than to follow through the logical practical consequences of their introduction.

The effects of the amended Directive are to reduce the ability to maintain a number of widely differing securities markets.

The maintenance of a higher national standard for the protection of the investor becomes difficult to justify. Further, the maintenance of markets possessing different standards (as to time, etc) is made harder by the difficulty in reducing these standards below those of the Official Listing in a way that would maintain meaningful differences and which would retain a second (let alone third) market of sufficient difference to the Official Listing which still maintained reasonably high standards.

Thus, if one accepts that the maintenance of the five-year trading history standards could not be maintained, the margin for manoeuvre of the ISE is quite restricted. The scope for maintenance of further securities markets, providing a forum for newer companies was reduced to a choice of trading history standards of two years or less. Clearly, it would be difficult to maintain two separate viable markets within such narrow parameters.

The author is a researcher for London solicitors Wedlake Bell.

COMMODITIES AND AGRICULTURE

Soviets deny oil supply shortfall

By Steven Butler in Moscow

SOVIET OIL production and exports will be maintained this year, according to a wide range of Soviet oil officials and economists who deny speculation in the West that serious shortfalls in output could be experienced.

Some oil companies have been estimating a drop in Soviet exports of between 300,000 and 500,000 barrels a day this year. The Soviet Union is the world's largest oil producer, and second in exports only to Saudi Arabia.

"There is no change in policy. There are no plans to reduce exports," said Mr Gurly Petrunin, first vice chairman of Soyuznefteexport, the Soviet oil export agency, yesterday. Mr Petrunin said that direct exports of crude oil and oil products last year, including exports to the Comecon countries, had droped by 10m tonnes, or about 200,000 barrels a day, to 170m tonnes.

The International Energy Agency has estimated that net exports from socialist countries fell by 100,000 b/d last year.

Mr Petrunin said this reflected efforts to co-operate with the Organisation of Petroleum Exporting Countries, as well as some transportation difficulties. Exports this year would be broadly in line with the 170m to 180m tonnes exported in recent years, he said.

Export policy for future years is under discussion in the Soviet Parliament, where some deputies are in favour of cutting exports, but would not affect plans for this year. There is also a fierce debate over how much to invest in future oil developments.

Soviet oil production last year fell from 624m tonnes to 607m tonnes. However, despite a number of production difficulties experienced last year, which reflected broader problems in the Soviet economy, Soviet officials deny the industry is in crisis.

Planning officials in the Tyumen region of Western Siberia, where most Soviet oil is produced, say that investment, at 8bn roubles a year, has been maintained that that planned output is unchanged.

The industry has been rocked by transportation difficulties, including a shortage of aviation fuel in the producing regions that have disrupted supplies. But such disruptions have been a regular feature of oil production in the Soviet Union for many years.

Strikes and unrest in Azerbaijan have also disrupted the oil equipment and service industry, although the industry appears to be recovering.

Officials admit this could affect the speed of future developments, but say it has had only a passing effect on current production.

The Ministry of Oil is taking over certain factories from the Ministry of Defence and plans to transfer production of oilfield equipment away from areas affected by ethnic unrest. Transport bottlenecks have also cut deliveries of fuel to Eastern Europe, including Czechoslovakia and Poland. However, the Soviets have promised to make up these deliveries at a later date.

Doubts raised about Swedish gas import plan

By Enrique Tessieri in Helsinki

NESTE, THE state-owned oil and chemicals group, feels that recent political developments in Sweden, which may force it to reassess its commitment to phasing out its nuclear programme by 2010, may put in serious jeopardy Sweden's plans to import Soviet gas via Finland this decade.

"It may well be that Sweden will not decide to import Soviet or Norwegian gas this year," said Mr Ulf Schmidt, a Neste Gas Division director. "If this is the case, it is highly probable that Sweden will not decide to purchase Norwegian or Soviet gas during this decade."

"Even if the Swedes are committed to increase gas consumption levels, it is questionable that there will be enough demand in Sweden for simultaneously importing gas from Norway and the USSR via Finland if Sweden backs down from its commitment to shut down its nuclear programme," Mr Schmidt added.

The cost of the Gulf of Bothnia sub-sea pipeline, which would run from the Finnish south-western city of Uusikaupunki to Gävle, Forsmark and Stockholm, is expected to cost almost FM1bn (£150m).

Recent Swedish political events coupled with Stockholm's reluctance to making a decision to import Norwegian or Soviet gas last year, has fuelled speculation that Sweden may gradually back down from its commitment to phase out all of its 12 nuclear installations by the year 2010.

This autumn, Sweden is expected to make a decision on which two nuclear installations it plans on phase out by the mid-90s. Roughly half of Sweden's electricity needs are supplied by nuclear energy.

Increasing impact seen from sugar tightness

By David Blackwell

THE GROWING tightness in the world sugar market will have an increasing effect on prices as the year progresses, according to Czarnikow, the London trade house.

Czarnikow has reduced its forecast for 1989-90 output by 167,000 tonnes to 106.3m tonnes, and cut its 1990 consumption estimate to 109.3m tonnes, compared with its November forecast of 109.5m tonnes. While the gap between the two has narrowed, a deficit is still in prospect "and it will be difficult to avoid a drawdown in carry-over stocks," says Czarnikow in its latest Sugar Review.

The production estimate has been reduced despite an increase in the overall estimate for the EC's sugar from beet being increased by 467,000 tonnes to 15.27m tonnes, and an increase in the Soviet Union estimate by 500,000 tonnes to 9.75m tonnes.

The biggest reduction has come in the US, where the total crop, including beet and Hawaiian production, is now put at 6m tonnes compared with a November forecast of just over 6.5m tonnes; production in Mexico, affected by the same freeze which damaged the US cane crop, is put at 3.3m tonnes compared with a November forecast of 3.55m tonnes. Cuba, South Africa and Thailand are all expected to have substantially lower crops, also because of adverse weather conditions.

On the consumption side, Czarnikow estimates the Soviet Union will have a national requirement of about 4.7m tonnes, while China, with consumption forecast at a reduced 7.5m tonnes, could still need to purchase 1.25m tonnes on the world market.

Czarnikow points out that in 1984-85 world sugar production totalled 101m tonnes, and has only "inched up" to the expected 106.3m tonnes this season, although there was a need earlier in the decade to reduce carry-over stocks.

Despite impressive gains by individual producers in recent years, there have been setbacks elsewhere so that the overall rate of improvement in world supplies has been much less than the growth in demand, says the report.

"They key question over the coming months is whether current world prices are sufficient to give producers the confidence to embark on expansion plans which would meet the steady rise in consumption requirements. Next season production will need to meet offtake which in 1991 could well reach 110.7m tonnes, or about 4.5m tonnes higher than current crops."

Seeds of reform planted on Malaysian estates

Lim Siong Hoon on initial efforts to deal with a crisis in the plantation sector

MALAYSIA'S commercial agriculture is in crisis. A national strike by 60,000 of its workers this month reflected the depth of labour frustration and how companies were trying to cope with perennial problems on their estates, thought to be among the world's most efficient.

Three years ago plantation workers bargained with their employers for a deal similar to the one they were seeking this time: a guaranteed monthly wage in place of a daily production-related income. They failed then but now, with the Government on their side, they seem assured of success.

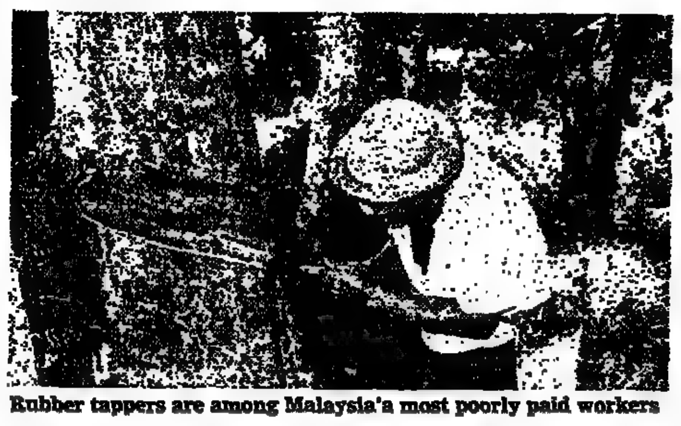
The plantation owners have agreed in principle to the monthly wage demand and the strike has been called off. The dispute is due to go to the Industrial Court (which found for the owners last time) on Saturday but an out-of-court settlement is expected before then.

In supporting the workers the Government was undoubtedly mindful of an approaching general election, but that was not its only reason. The need to slow the drift of labour away from the estates, already afflicted by a manpower shortage that is growing by 4,000 a year, was another pressing concern.

The monthly wage may not be enough by itself, however, to achieve this. Rubber tappers, for example, are among the most poorly paid workers in a country where annual income averages 450 ringgit (£100) a head, and many estates are enclaves of poverty, misery, and despair. Three days before the strike, the Malaysian Medical Association published the results of a survey of the estates which revealed a litany of woes: high mortality, poor sanitation and widespread disease. Workers' health care is left to the estates themselves, which spend, on average, only R26.40 per person.

One reason for this is shrinking profitability, although the best run estates still manage to maintain profit margins of 10 to 16 per cent. Estate managers tend to overlook the fall in real prices, of rubber in the 1970s and 1980s for instance, blaming their poor margins instead on increasing costs and inadequate productivity.

Malaysia's commodity export volume has stagnated at about 1.6m tonnes a year for the past three years while Indonesia and Thailand have been catching up fast, with growth rates of 3.7 per cent and 6.5 per cent respectively. But Malaysia's estate yields are still highest in the region, and its cocoa yields are three times higher than those of its African competitors.



Rubber tappers are among Malaysia's most poorly paid workers

One response to poor prices for rubber was a widespread shift to palm oil production throughout the 1980s. Margins are bigger for palm oil than for rubber but for each hectare oil palm requires twice as many workers. Unit labour costs are also higher because better-paid men are needed for the tough physical work of harvesting palm fruits. Rubber tapping is much less strenuous and women account for half the workforce, alongside old men and children under 16.

The Government benefits from this commercial diversification programme, and therefore encourages it. It receives a 6 per cent tax on palm oil exports, but less than 1 per cent on rubber.

Estates have also begun turning rubber land over to cocoa.

Diversification has protected estates from the worst effects of depressed prices for one or two of these crops – but prices for all three have collapsed simultaneously and there is no fourth, commercially viable, crop to turn to.

For years, Malaysia has been searching for another crop to provide a financial cushion in bad times. For a while fruit crops such as bananas and papayas were promoted, but their short storage life, costly freight, and small demand mades the idea unworkable.

So the estates concentrated their resources on palm oil and cocoa, which were the most profitable until two years ago. Malaysian production of these crops have each risen ten-fold in a decade. Last year's palm oil production was a record 6.05m tonnes, equivalent to two-thirds of world supply.

Growth in output of the new crops is now beginning to run out of momentum, however. Even as rubber output stagnates, palm production this year could stay at the current level for the first time in years, one Government official predicts.

Meanwhile, the commercial agricultural sector must wrestle with the problems of idle land, labour shortages, and a restless estate population numbering more than 220,000 that has become weary of entreaties to keep costs down while other industrial and commercial sectors see real income growth.

Such problems, "work against the progress of the development of the primary commodities," concluded one study on the future of the industry. Planters put it differently: Indonesia, they say, with its plentiful labour could "dethrone" Malaysia as the largest palm oil producer in "a few years." And it is already a close second in the rubber export league.

The Malaysian Government, which this month has tried to alleviate the crisis by cutting rubber and palm oil export taxes, is no longer merely a regulator overseeing the welfare of a private industry. It is an active participant, and has since been since the 1970s, when it seized control of the biggest estates of Guthrie and Harrisons & Crosfield.

Government ownership complicates things somewhat, for example in the wage dispute between the rubber tappers and the estates. By naming three Cabinet Ministers to settle the union claims, the Government invoked executive action on a commercial dispute which had political and economic stakes for it as well. Because of its controlling equity stakes in the major plantations, the dispute carried a union-versus-government political tone, something the Government could not afford to ignore.

Because the problems of labour, cost, and production in the estates are recurring, they complain that the solutions so far are piecemeal. At the heart of the crisis is a lumbering, antiquated century-old estate system. It is a legacy of colonial-style bonded labour that can no longer cope with the changing pace of social and economic demands.

An estate is a world to itself. There workers are quartered, their children, most of them semi-literate, grow up only to take up their parents' jobs. This system once guaranteed a labour supply on rubber estates. But the introduction of oil palm, with an 87 per cent growth in estate areas in the ten years to 1983, left out women and children as a labour supply. Some men prefer oil palm harvesting because it pays better than tapping trees. This means a tendency to force families apart.

The system tends to trap workers because housing and health care, albeit rudimentary, are provided. But it perpetuates poverty and tempts some to search for better alternatives, and to move out.

The estate system has been worst in respect of wages, until now pegged to output and prices. This system applied only to the estate workers, not to their white collar colleagues. Apart from unfairness, production income raised questions of incentives. Output is only partially within control of a worker – in bad weather and in old, poor yielding trees output falls. And price, is completely outside his control.

The system required workers to share, perhaps disproportionately, not only the burden of price fluctuations but also indirectly the overall costs. The anomaly in this farming system became disheartening when compared to similar collectivised schemes started by the Government. The farmers who participated in these insisted on land ownership.

Estates made little effort to provide better work incentives, more labour mobility or more flexibility. Instead they responded by importing workers from Indonesia and pleading high cost to deter higher wage claims.

Partly because of these troubles, Malaysia abounds with stories of estate companies turning away from commercial agriculture. Common sights at the urban fringes are the grey and white concrete walls of single manufacturing plants, making light bulbs for example, surrounded by seas of green oil palm fronds.

A recent announcement by the East Asiatic Company, an old plantation company, is also typical. In a few years, it said, it would try to reduce proportion of plantation income in overall revenues from half of to a third. The group is turning to making gloves instead.

Last year, Malaysia's commodity exports reached a historic milestone – it contributed to less than half of total earnings.

Turkish tobacco growers fume over low prices

By Jim Bodgener in Ankara

TURKEY'S TOBACCO growers are smoking with rage at the alleged reneging by the Government on a promise this year of higher subsidised prices. Anger has rumbled on since mass demonstrations on Monday near Izmir in the Aegean region, despite government attempts to mollify producers.

More than 48 demonstrators were still detained yesterday, facing possible sentences of up to three years for blocking public highways and damaging the environment.

The rate of increase in prices from the state tobacco and drinks monopoly Tekel, obliged to buy all domestic tobacco output, ranges from 39 per cent to 59 per cent, depending on quality and region. The average price should be around TL14,300 ($6) a kilogram rather than the TL11,300 fixed by the Government say the producers'associations. Inflation in the year to the end of January was around 60 per cent.

The prices were not too low by world standards, according to Mr Ekrem Pakdemirli, the Finance and Customs Minister. On a recent visit to the US, buyers had not been convinced that the Turkish crop would be burned if they did not raise their price offers, he added.

But even at the recently-increased, exports would be uncompetitive on world markets, according to Mr Esin Ozgumer, the chairman of the Aegean Tobacco Exporters' Association. A crop of around 260,000 tonnes is expected this year, of which about 100,000 tonnes will be exported.

Domestic producers have been ignored by the Government in a drive to encourage imported foreign blends of cigarettes, according to Professor Erdal Inonu, leader of the main opposition Social Democratic Populist Party. Roughly one in five Turks smokes a foreign brand today, compared with one in a hundred four years ago.

Foreign investors have lined up to pour more than $200m into revamping giant but mothballed plants built by Tekel in the 1950s. But they face a threatened ban on cigarette advertising and smoking in public places promoted by an all-party lobby in Parliament.

Tobacco is the main income source of around 400,000 families in the Aegean region, and 750,000 families country-wide.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices rose strongly yesterday on fears that the strike by Brazilian sailors could disrupt supplies from the world's biggest producer. One dealer said speculators were "piling in on the back of Brazilian problems." But traders said the gains could be shortlived, with prices retreating sharply once the situation was seen to be easing. On the LME copper firmed on the back of Comex. The market is showing some concern over the recent decline in warehouse stocks on both sides of the Atlantic, although there has been no significant change in fundamentals to suggest the market has broken out of its bear trend, analysts said. Nickel prices continued this week's rise in volatile trading, although analysts noted that the premium for cash metal had narrowed to $37.50 a tonne from Tuesday's $57.50.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.45-6.50z	-.14
Brent Blend	$19.38-9.44z	-.20
W.T.I. (1 pm est)	$21.80-1.85x	-.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$220-222	-3
Gas Oil	$175-176	-.5
Heavy Fuel Oil	$90-91	
Naphtha	$194-196	-4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)✦	$415.25	-4.00
Silver (per troy oz)✦	532c	-3
Platinum (per troy oz)	$514.00	-4.25
Palladium (per troy oz)	$135.50	-0.50
Aluminium (free market)	$1435	+20
Copper (US Producer)	103½-108c	+1½
Lead (US Producer)	41.0c	+0.5
Nickel (free market)	326c	+10
Tin (Kuala Lumpur market)	19.40r	-0.24
Tin (New York)	284c	-3
Zinc (US Prime Western)	65¼c	
Cattle (live weight)†	108.42p	-0.46*
Sheep (dead weight)†	281.89p	-0.69*
Pigs (live weight)†	91.67p	+1.77*
London daily sugar (raw)	$355.8x	-3.8
London daily sugar (white)	$430.5x	-2.0
Tate and Lyle export price	£325.0	-4.0
Barley (English feed)	£112.0	-0.5
Maize (US No. 3 yellow)	£127.5	
Wheat (US Dark Northern)	£120	
Rubber (Mar)♥	55.00p	-.50
Rubber (Apr)♥	56.00p	-.50
Rubber (KL RSS No 1 Mar)	230.0m	-1.0
Coconut oil (Philippines)§	$382.5t	
Palm Oil (Malaysian)§	$275.0w	
Copra (Philippines)§	$240	-10
Soyabeans (US)	£157	-2
Cotton "A" Index	77.30c	+.90
Wooltops (64s Super)	552p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Feb/Mar. y-Mar/Apr. v-Jan/Mar. w-Mar. x-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ✦ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	622	621	624 620
May	638	635	637 632
Jul	645	647	648 644
Sep	661	664	664 660
Dec	686	686	688 682
Mar	708	710	710 704
May	721	724	724 720

Turnover: 7153 (14761) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 13 759.21 (757.71) 10 day average for Feb 14 752.42 (752.75)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Mar	617	604	629 606
May	621	608	631 609
Jul	628	619	630 619
Sep	642	632	651 632
Nov	657	647	665 647
Jan	671	664	680 668
Mar	690	682	690

Turnover: 13453 (7584) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 13: Comp. daily 66.76 (66.46). 15 day average 63.31 (62.97)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	325.40	323.40	327.00 324.00
May	326.40	323.60	327.00 324.00
Aug	325.40	322.60	325.40 323.00
Oct	318.00	313.40	318.20 314.00
Dec	314.00	311.00	
Mar	293.60	290.80	294.80 292.20
May	293.00	289.00	
White	**Close**	**Previous**	**High/Low**
May	427.0	[illegible]	428.5 425.0
Aug	427.0	426.0	425.5 425.0
Oct	393.0	391.0	393.0 391.2
Mar	[illegible]	360.0	362.0 359.0
May	362.0	359.6	357.5 357.0
Aug	362.5	358.8	362.0 357.0

Turnover: Raw 2754 (5430) lots of 50 tonnes. White 1156 (3866)
Paris- White (FFr per tonne): Mar 2440, May 2428, Aug 2435, Oct 2280, Dec 2120, Mar 2100.

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Mar	171.50	172.00	172.50 170.00
Apr	167.75	167.75	168.75 168.50
May	164.75	166.00	166.00 164.50
Jun	163.50	164.50	164.50 163.50
Jul	163.50	165.50	164.00
Aug	166.50	167.50	165.50 165.00
Sep	167.50	167.50	167.50 166.00
Oct	169.00	170.25	167.00

Turnover 7704 (8217) lots of 100 tonnes

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Apr	19.40	19.60	19.44 19.26
May	19.27	19.36	19.25 19.10
Jun	19.12	19.14	19.10 18.94
Jul	19.07	18.78	19.07 19.07
IPE Index	19.51	19.27	19.27 19.51

Turnover: 10020 (8488)

WOOL
Despite occasionally better trade competition at wool sales in Australia and other producing countries the proportion being bought in by the various support authorities, or simply left in growers hands, remains high. There was only a 55% clearance at last week's Bradford auction of British wool, and the AWC is still buying some 35% to 45% of the typical sale offering. AWC stocks in Australia already substantially exceeded the 2 million bale mark. UK business remains patchy. Top quotations are 550 pence per kg. for 64s super, 336 for 58s average, 302 for 50s carded and 208 for 56s English.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,125 tonne
Cash	1437-9	1417-9	1434/1433	1433-4		
3 months	1452-3	1433-5	1458/1422	1448-9	1446-7	36,824 lots
Copper, Grade A (£ per tonne)						Ring turnover 61,200 tonne
Cash	1389-90	1330-2	1368/1367	1367-8		
3 months	1366-7	1337-8	1389/1360	1365-6	1379-80	61,793 lots
Lead (£ per tonne)						Ring turnover 16,825 tonne
Cash	448-50	443-5	453/450	450-1		
3 months	422-3	415-6	424/420.5	420-.50	421-2	10,128 lots
Nickel ($ per tonne)						Ring turnover 1,614 tonne
Cash	7200-50	6850-75		6900-50		
3 months	7175-200	6880-900	7475/6900	6850-900	7250-75	7,328 lots
Tin ($ per tonne)						Ring turnover 740 tonne
Cash	6200-10	6200-25	6195/6190	6190-5		
3 months	6330-40	6330-50	6350/6320	6320-30	6325-45	4,987 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 12,525 tonne
Cash	[illegible]	1354-7	1375/1372	1372-3		
3 months	1360-5	1351-2	1380/1368	1370-1	1378-80	831 lots
Zinc ($ per tonne)						Ring turnover 600 tonne
Cash	1385-95	1345-55	1382	1375-80		
March 30	1360-70	1335-45		1350-60		17,165 lots

LME Closing £/$ rate:
SPOT: 1.6965 3 months: 1.6882 6 months: 1.6442 9 months: 1.6205

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	179.0	[illegible]	181.0 175.9
May	203.4	207.5	208.0 199.4
Nov	108.0	108.0	101.0
Feb	133.0	125.0	

Turnover 752 (736) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Apr	127.50	128.50	127.90
Jun	123.60	125.00	123.00
Aug	123.00	124.50	123.00
Oct	126.00	126.50	

Turnover 28 (27) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Feb	1590	1599	1590 1576
Mar	1624	1636	1636 1621
Apr	1635	1649	1640 1625
Jul	1390	1393	1395 1390
Oct	1508	1510	1600 1497
Jan	1514	1514	
BFI	1578	1579	1578

Turnover 407 (235)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Mar	112.90	112.35	112.85 112.35
May	116.60	116.35	116.60 116.05
Jun	118.95	119.60	118.60 118.50
Sep	106.35	106.20	
Nov	109.35	109.00	109.35
Barley	**Close**	**Previous**	**High/Low**
Mar	106.75	107.15	106.75
May	109.35	109.55	109.25 109.05
Mar	112.25	112.25	112.25

Turnover: Wheat 268 (231), Barley 34 (29). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	111.2	112.0	112.0
Mar	115.6	117.0	116.0
Jun	118.8	117.0	
Aug	114.0	115.5	

Turnover 6 (5) lots of 3,250 kg.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	415-415½	244¾-245¼
Opening	417½-418	246¼-246¾
Morning fix	416.00	245.845
Afternoon fix	414.80	244.486
Day's high	417½-418	
Day's low	413¼-413¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	424-429	250-253
Britannia	424-429	250-253
US Eagle	424-429	250-253
Angel	428-431	251-254
Krugerrand	415-418	244¾-246¾
New Sov.	98¾-100¾	58-59½
Old Sov.	98¾-100¾	58-59½
Noble Plat	520.15-528.40	306.70-311.65

Silver fix	p/fine oz	US cts equiv
Spot	311.85	528.60
3 months	323.20	538.25
6 months	334.90	550.25
12 months	358.75	574.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1350	99	113	1	12
1400	24	49	26	45
1450	2	18	103	110
Copper (Grade A)	**Calls**		**Puts**	
2200	155	150	5	39
2250	76	82	25	78
2300	27	51	78	136
Coffee	**Mar**	**May**	**Mar**	**May**
550	87	76		5
600	20	40	3	19
650	1	17	34	46
Cocoa	**Mar**	**May**	**Mar**	**May**
550	71	86		3
600	23	45	2	12
650	1	19	30	36
Brent Crude	**Apr**	**May**	**Apr**	**May**
1900	[illegible]	70	29	60
1950	[illegible]	[illegible]	[illegible]	33
2000	16	32	[illegible]	121

US MARKETS

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	416.7	417.6	416.8	414.5
Mar	418.0	419.5	0	0
Apr	420.7	422.0	421.2	417.5
Jun	426.1	427.6	426.4	423.3
Aug	431.1	432.7	430.6	430.0
Oct	436.3	438.1	436.0	436.0
Dec	441.5	443.5	441.5	439.0
Feb	447.0	449.2	448.0	445.5
Apr	452.2	454.6	450.5	450.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	527.4	522.6	531.5	519.0
Jul	532.0	528.0	534.5	525.0
Oct	540.0	534.0	540.0	530.7

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	531.5	531.4	0	0
Mar	533.0	533.3	536.0	529.0
Apr	537.2	537.5	0	0
May	541.5	541.8	543.5	537.1
Jul	549.7	550.0	551.0	546.0
Sep	558.3	558.6	559.5	554.0
Dec	570.0	570.5	572.0	566.0
Jan	573.4	573.7	0	0
Mar	582.1	582.3	0	0
May	590.3	590.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	106.80	105.45	107.40	105.45
Mar	105.70	104.20	107.30	103.60
Apr	103.85	102.90	104.50	102.00
May	102.20	101.40	103.50	101.00
Jun	101.10	100.55	0	0
Jul	100.10	99.70	101.10	99.70
Aug	99.35	99.10	0	0
Sep	98.70	98.50	99.00	98.70
Oct	98.30	98.10	0	0
Nov	97.80	97.60	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	21.89	21.08	22.05	21.72
Apr	21.78	21.82	21.88	21.62
May	21.66	21.76	21.76	21.57
Jun	21.47	21.54	21.54	21.38
Jul	21.25	21.31	21.30	21.18
Aug	21.05	21.10	21.10	20.85
Sep	21.89	20.94	20.93	20.78
Nov	20.70	20.77	20.77	20.66
Dec	20.67	20.73	20.73	20.58

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 14	Feb 13	mnth ago	yr ago
1794.0	1789.0	1781.4	1930.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 13	Feb 12	mnth ago	yr ago
Spot	128.85	128.50	127.72	134.68
Futures	131.61	130.97	129.98	136.76

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5705	5665	5750	5650
Apr	5640	5614	5675	5590
Jun	5460	5450	5480	5420
Jul	5465	5440	5470	5430
Sep	5540	5586	5540	5500

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	980	958	981	958
May	978	969	981	972
Jul	998	984	997	984
Sep	1010	1001	1011	1000
Dec	1032	1025	1034	1023
Mar	1052	1046	1054	1050
May	1063	1060	1060	1060
Jul	1078	1077	1080	1080

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	85.81	86.85	89.50	85.60
May	88.11	88.28	91.40	87.50
Jul	89.94	89.71	92.50	89.50
Sep	91.50	91.40	93.80	91.00
Dec	93.45	93.15	95.50	93.45
Mar	95.40	95.00	97.00	96.00
May	97.00	97.00	0	0
Jul	100.50	99.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.70	14.58	14.74	14.55
May	14.70	14.58	14.81	14.66
Jul	14.61	14.45	14.70	14.55
Oct	14.34	14.03	14.27	14.14
Mar	13.53	13.33	13.55	13.46
May	13.40	13.18	0	0
Jul	13.30	13.10	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	69.05	68.43	69.50	68.20
May	70.30	69.67	70.68	69.60
Jul	70.50	69.90	70.95	69.80
Oct	67.10	66.85	67.30	66.80
Dec	65.98	65.58	66.15	65.51
May	67.50	66.70	67.50	67.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	202.40	203.40	203.40	201.10
May	196.10	196.30	196.80	195.00
Jul	192.10	192.90	193.00	192.00
Sep	188.50	189.50	189.25	188.50
Nov	184.55	185.90	185.50	184.55
Jan	181.10	181.85	0	0
Mar	181.10	181.85	0	0
May	181.10	181.95	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	586/6	584/0	587/4	583/2
May	579/0	576/2	579/4	575/2
Jul	591/2	588/2	591/6	587/2
Aug	595/0	591/4	595/0	591/0
Sep	593/0	590/6	593/6	590/4
Nov	597/6	596/2	599/0	595/2
Jan	607/0	605/4	607/4	605/4
Mar	617/0	616/0	617/0	616/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.85	19.68	19.97	19.57
May	20.24	19.96	20.25	19.86
Jul	20.36	20.18	20.38	20.05
Aug	20.32	20.13	20.32	20.06
Sep	20.28	20.12	20.36	20.10
Oct	20.22	20.12	20.30	20.11
Dec	20.25	20.22	20.30	20.15
Jan	20.17	20.18	20.25	20.15

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	165.1	165.7	165.3	164.4
May	169.4	169.6	170.3	168.8
Jul	173.0	173.1	173.8	172.5
Aug	174.8	174.9	175.3	174.2
Sep	176.5	176.9	177.0	176.1
Oct	177.5	178.0	178.3	177.5
Dec	180.0	180.7	180.8	179.3
Jan	181.0	182.0	181.0	181.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	243/0	241/6	243/0	241/2
May	249/0	248/0	249/4	247/4
Jul	253/4	252/0	253/6	251/4
Sep	250/4	248/6	250/4	248/4
Dec	247/4	246/0	247/6	245/4
Mar	254/2	252/4	254/2	252/0
May	257/4	256/0	257/4	256/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	367/2	365/4	367/6	363/0
May	365/6	365/2	367/0	363/0
Jul	346/2	347/4	347/4	345/0
Sep	353/2	354/0	354/0	351/6
Dec	364/4	365/6	365/4	362/6
Mar	371/0	373/0	371/0	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

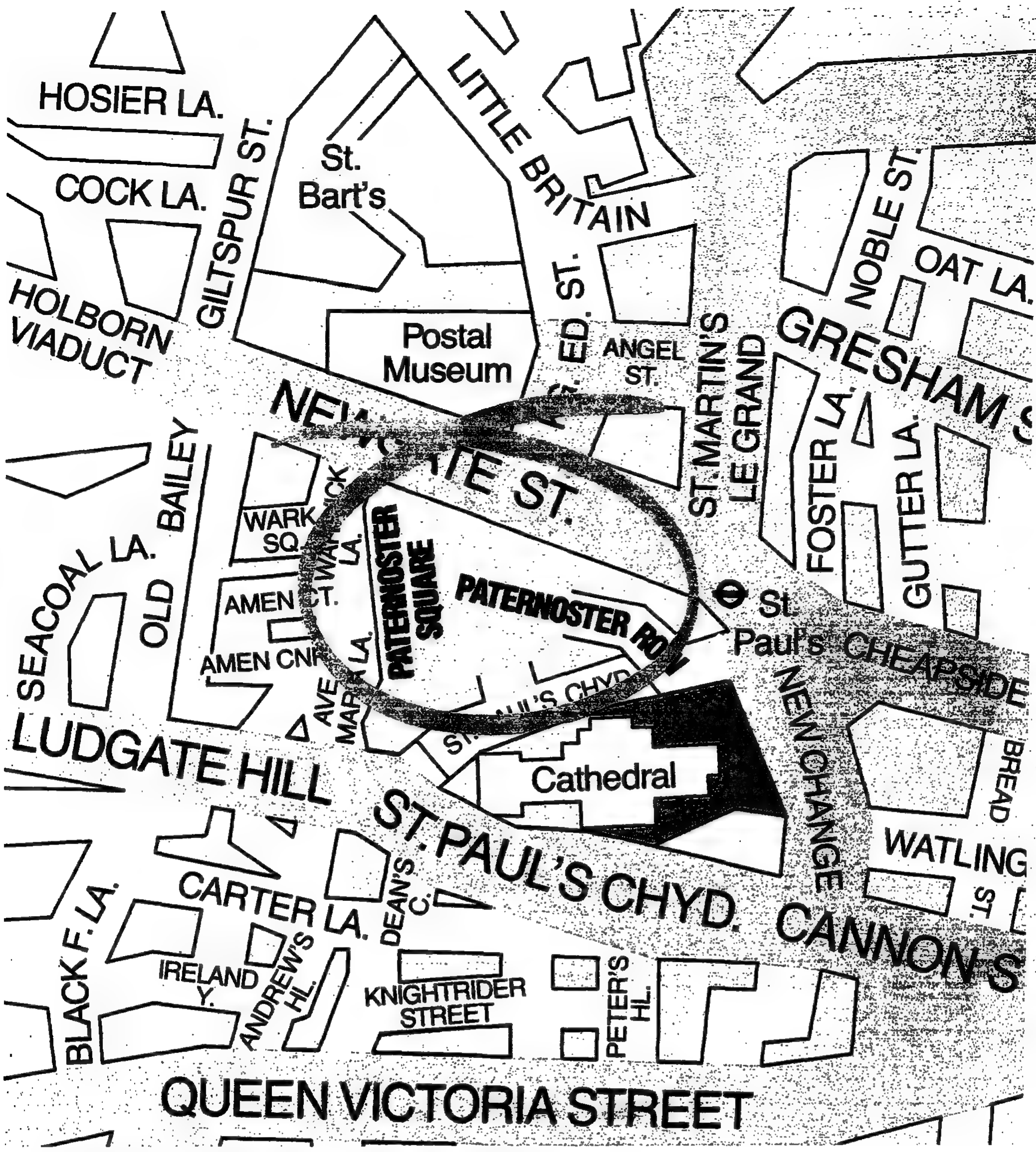
	Close	Previous	High/Low	
Feb	79.42	79.57	79.80	79.37
Apr	77.37	77.42	77.60	77.30
Jun	72.52	72.47	72.70	72.32
Aug	71.05	70.97	71.20	70.85
Oct	72.37	72.32	72.55	72.20
Dec	73.05	73.00	73.05	72.85
Feb	73.00	73.00	73.00	73.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	50.17	49.77	50.20	49.75
Apr	47.75	47.87	47.95	47.55
Jun	53.12	52.80	53.20	52.82
Jul	52.72	52.55	52.80	52.55
Aug	51.30	51.00	51.35	50.85
Oct	46.60	46.47	46.65	46.40
Dec	47.02	46.75	47.05	46.75
Feb	47.20	47.00	47.20	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	49.82	49.50	50.15	49.10
Mar	49.82	49.62	50.45	49.35
May	51.20	50.92	51.72	50.60
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	49.60	[illegible]	50.10	[illegible]
Feb	54.60	54.60	[illegible]	[illegible]


HOSIER LA.
COCK LA.
GILTSPUR ST.
St. Bart's
LITTLE BRITAIN
HOLBORN VIADUCT
Postal Museum
ANGEL ST.
ST. MARTIN'S LE GRAND
NOBLE ST.
OAT LA.
GRESHAM S
FOSTER LA.
GUTTER LA.
NEWGATE ST.
OLD BAILEY
SEACOAL LA.
WARK SQ.
AMEN CT.
AMEN CNR
AVE MARIA LA.
PATERNOSTER SQUARE
PATERNOSTER ROW
St. Paul's
CHEAPSIDE
NEW CHANGE
BREAD ST.
Cathedral
LUDGATE HILL
ST. PAUL'S CHYD.
WATLING ST.
CANNON S
CARTER LA.
DEAN'S CT.
BLACK F. LA.
IRELAND Y.
ANDREW'S HL.
KNIGHTRIDER STREET
PETER'S HL.
QUEEN VICTORIA STREET

LONDON STOCK EXCHANGE

Mortgage rate rise upsets equities

AN ATTEMPT by the London stock market to follow Wall Street's lead in brushing aside any bearish implications of the Drexel Burnham Lambert failure was restrained yesterday by an increase in home loan lending rates by Abbey National, one of Britain's largest building societies.

The equity market closed just below the important FT-SE 2,300 mark, well under its best levels as market strategists weighed up the implications for domestic inflation and for other domestic interest rates of the move by Abbey National to a basic mortgage rate of 15.4 per cent.

London equities opened higher, cheered by Wall Street's resilience in the face of Drexel Burnham's filing under Chapter 11 of the US bankruptcy code. The Footsie 2,300 mark was quickly left behind and the Index was 17.4 ahead in early trading, before a lack of buyers took the top off prices.

Account Dealing Dates		
*First Dealings:		
Jan 29	Feb 12	Feb 26
Option Declarations:		
Feb 8	Feb 22	Mar 8
Last Dealings:		
Feb 9	Feb 23	Mar 9
Account Day:		
Feb 19	Mar 5	Mar 19

*New time dealings may take place from 8.00 am two business days earlier

The Abbey announcement, while not entirely unexpected, dealt a further blow to hopes of early reductions in domestic interest rates and to consumer shares, which are already suffering badly from the effects of UK bank base rates at 15 per cent. Mr Gwyn Hacche of James Capel, the London stockbroker, estimated that Abbey's move, if followed by the other building societies, would add 0.4 per cent to the Retail Price Index in March.

The news came as London was waiting apprehensively to see if Wall Street would continue firm as further details of the Drexel Burnham trading situation emerged. The Footsie Index sagged briefly into negative territory before rallying as the New York market made a slow but sound start to the new session.

The final reading showed the FT-SE Index at 2,298.3, a gain of 5.1 on the day. Traders expressed satisfaction with the market's success in holding on to the lower end of its trading range. Seaq volume remained high at 465.2m shares, against 435.3m on Tuesday, but the total appeared to include a substantial proportion of inter-dealer business. Stock Exchange data shows that customer investment activity has remained low this week at under £800m daily.

There was no shortage of special situations in yesterday's market, including a re-run of persistent rumours that a large bid is pending, perhaps in the property sector. Gestetner, the office equipment group, confirmed yesterday that it is in talks over an acquisition, but dealers believe that any rights issue involved would be relatively small.

Insurance stocks eased after Union Assurances de Paris (UAP) said it was not planning major acquisitions for three years – UK analysts have pinpointed UAP as a possible bidder for Sun Life, the British insurer, in which it already has a 25 per cent stake.

FINANCIAL TIMES STOCK INDICES

	Feb 14	Feb 13	Feb 12	Feb 9	Feb 8	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.28	81.11	80.89	81.15	81.28	88.80	89.29 (8/2/89)	80.80 (7/2/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.24	90.98	91.34	91.35	91.46	97.65	98.59 (15/3/89)	90.85 (28/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1825.4	1819.1	1810.6	1830.7	1845.3	1677.4	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	288.3	328.8	344.2	387.7	372.5	158.6	378.5 (6/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2298.3	2293.2	2286.9	2313.6	2331.0	2047.5	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.73	4.73	4.75	4.70	4.66	4.34				
Earning Yld %(full)	11.43	11.44	11.48	11.35	11.26	10.83				
P/E Ratio(Net)(*)	10.59	10.58	10.54	10.66	10.75	11.22				
SEAQ Bargains(5pm)	24,198	24,025	24,580	28,988	25,036	25,185				
Equity Turnover(£m)†	-	774.41	858.44	774.48	791.29	1408.23				
Equity Bargains†	-	24,156	25,200	28,425	24,713	31,400				
Shares Traded (ml)†	-	355.8	377.5	413.2	369.8	517.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.54

Ordinary Share Index, Hourly changes — Day's High 1833.0 — Day's Low 1821.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1828.7	1828.2	1832.2	1828.6	1822.9	1822.4	1823.1	1824.2

FT-SE, Hourly changes — Day's High 2310.5 — Day's Low 2297.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2303.7	2304.3	2310.5	2302.5	2297.6	2298.1	2299.3	2301.1

GILT EDGED ACTIVITY

Indices*	Feb 13	Feb 12
Gilt Edged Bargains	95.2	86.2
5-Day average	90.3	88.6

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	2,000	192	+½
ASDA Group	6,700	[illegible]	[illegible]
Abbey National	2,000	180	+½
Allied-Lyons	814	475	+2
Amstrad	1,500	55	
Argyll Group	362	206	
Ass. Brit. Foods	384	398	+1
BAA	667	374	+1½
BAT Inds.	4,600	809	+3
BET	438	238	+1
BICC	961	428	-7
BOC	411	537	
BPB Inds.	758	227	-4
BTR	1,800	471	-1
Barclays	1,600	550	-4
Bass	530	973	-6
Beazer	440	153	-2
Berisford Int.	248	128	
Blue Arrow	570	89	+1½
Blue Circle	538	231	+2
Boots	1,000	274	+1
Brit. & Comm.	472	72	
Brit. Aerospace	365	526	-4
British Airways	5,400	196	-2
British Gas	8,300	225½	+½
British Land	573	361	-2
BP	2,600	343	+4
British Steel	1,100	137½	+4½
British Telecom	4,700	308	+2
Bunzl	210	105	
Burmah Oil	300	850	-1
Burton	2,400	183	-1
Cable & Wire.	508	542	-2
Cadbury	3,000	336	-1
Calor Group	13	359	
Carlton Comms.	68	770	-1
Coats Viyella	4,200	129	+2

	Volume 000's	Closing Price	Day's change
Comm. Union	280	602	+1
Cookson	531	236	-5
Courtaulds	360	386	-1
Dalgety	[illegible]	381	+3
Dixons	402	129	
Eng. China Clays	[illegible]	370	-16
Enterprise Oil	243	651	-9
FKI	3,600	62	-1
Ferranti	1,300	39	-1
Fisons	750	324	-1
Gen. Accident	252	1136	+6
General Elect.	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]
Globe Inv.	[illegible]	[illegible]	[illegible]
Glynwed Int.	[illegible]	[illegible]	[illegible]
Granada	[illegible]	[illegible]	[illegible]
Grand Met.	[illegible]	[illegible]	[illegible]
GUS A	[illegible]	[illegible]	[illegible]
GRE	[illegible]	[illegible]	[illegible]
GKN	[illegible]	[illegible]	[illegible]
Guinness	[illegible]	[illegible]	[illegible]
Hammerson 'A'	[illegible]	[illegible]	[illegible]
Hanson	[illegible]	[illegible]	[illegible]
Hanson Warrants	[illegible]	[illegible]	[illegible]
Harrisons Cros.	2,700	145	+1
Hawker Sidd.	502	844	+2
Hillsdown	815	262	
[illegible]	576	217	
ICI	1,600	1071	-4
Inchcape	2,000	274	+1
Kingfisher	1,400	281	+6
Ladbroke	989	301	+1
Land Securities	961	493	+6
Laporte	178	610	
Legal & General	365	384	
Lloyds Abbey	730	316	+1
Lloyds Bank	2,300	365	+5

	Volume 000's	Closing Price	Day's change
LASMO	631	601	-4
Lonrho	1,400	277	+1
Lucas	169	596	
MB Group	3,800	218	+3
MEPC	63	500	+4
Marks & Spencer	3,200	203	+1
Maxwell Comm.	634	207	-1
Mecca Leisure	189	149½	+½
Midland Bank	1,200	364	-4
NatWest Bank	1,700	335	-2
Next	7,900	100	+5
[illegible]	[illegible]	[illegible]	[illegible]
Redland	174	551	-2
Reed Intl.	1,100	422	+5
Reuters	382	1046	+6
Rolls Royce	2,000	174½	+½
Rothmans	63	639	+1
Ryl Bk Scotland	2,100	190	+3
Royal Insurance	952	509	+1
STC	1,800	265	+3
Saatchi	41	226	+1
Sainsbury	1,100	259	+2
Scottish & New.	689	324	+1
Sears	5,200	104½	+1
Sedgwick	489	281	-3

	Volume 000's	Closing Price	Day's change
Shell Transport	2,000	473	-1
Siebe	571	425	+12
Slough Ests	17	301	+1
Smith (W.H.) A	681	325	
Smith & Nephew	6,100	119½	+3
SmKl Beecham	1,000	529½	-1½
SmKl Beecham Units	75	2468	-12
Smiths Inds.	141	236	-3
Standard Chartd.	1,100	604	+11
Storehouse	811	112	
Sun Alliance	482	814	+3
[illegible]	[illegible]	[illegible]	[illegible]
Unigate	219	301	+1
Unilever	1,100	645	-4
United Biscuits	1,600	324	+4
Utd. Newspapers	97	385	-3
Wellcome	208	674	-5
Whitbread 'A'	767	379	
Williams Hldgs.	675	345	
Willis Faber	380	362	-2
Wimpey	398	249	-3

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Activity in water stocks

Demand for the water stocks built up as the session wore on yesterday, with dealers and analysts talking of possible further stake-building throughout the sector. The hints emerged as share prices moved sharply higher in good volumes, following up Tuesday's gains. The interest was evenly spread, but turnover tended to be concentrated in a handful of stocks.

Severn Trent attracted turnover of 3.8m shares with the price closing 3 higher at 146p. Dealers said there was more than a suspicion of stakebuilding in the stock where Lyonnaise des Eaux revealed a 2 per cent stake last December. The feeling was that Lyonnaise was not the big buyer in Severn yesterday. Lyonnaise also has a 9 per cent stake in Anglian Water and 6 per cent stake of Wessex Water.

Specialists said that the stakes revealed in December by Lyonnaise and the substantial holdings built up in water stocks by Mercury Asset Management "are by no means the end of the stakebuilding in the sector." One said that the series of Section 212 notices, by which nominee names have to be identified, together with the first comprehensive lists of shareholders in the recently-privatised water companies, should reveal some interesting information when they are made public, "probably next week."

Another strong performer was Thames, the only water stock in the FT-SE 100-share index, which rose 5½ to 158½p on 3.3m. Yorkshire were 5 up at 185p on 399,000, Anglian added 3½ at 173p, on 1.6m, and Wessex put on 4 to 180p on 475,000. Southern retained its lead as the best performing water stock, closing 4 firmer at 158p. The Package settled 37 up at £1655, after £1660.

Asda speculation

Reports that the Canadian investors, the Belzberg brothers, might be considering a bid for Asda, led to a partial recovery of recent losses. According to the report, the Belzbergs, who hold a relatively modest stake in Asda, are promoting Mr David Fisher, formerly of Gateway, to replace Mr John Hardman, the current chairman and chief executive.

However, the opinion of most Asda watchers is that the climate has turned against buy-outs with junk bonds, the likely source of finance for many potential bidders. But one analyst said the high yield of UK food retailing could yet tempt a European or US group.

But some dealers believed that the Belzbergs were attempting to get Asda's share price up and thus entice a third party to make a bid. "It would take a bold person to bid for Asda at the moment," one trader said. Indeed, there were said to be many willing sellers if the share price moves above 115p. Asda closed 4 up at 109p, on 6.7m.

KIO Moat deal

The passage of several large blocks of shares in Queens' Moat Houses during late morning set tongues wagging. The company later confirmed that a stake held by the Kuwait Investment Office had been sold, and dealers seemed convinced that a line of either 10m or 12m shares had been placed by BZW at 101p.

The final turnover figure of 26m shares indicated that the higher number was more likely - Seaq volume figures often count the shares traded twice, once each for the sale and the purchase. Queen's Moat initially fell on the news, but bounced at 101p to close only ¾ easier on the day at 103p.

Analysts confessed their surprise at the KIO disposal. One said that it threw into doubt KIO's commitment to its 12 per cent in another hotel company, Mount Charlotte.

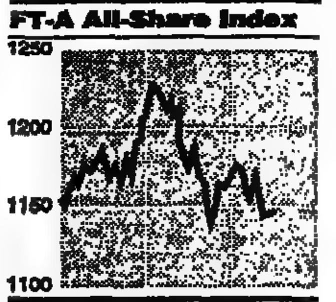
Guinness had a strong day as Hennessy, the cognac unit of French luxury goods group LVMH, estimated its full year profits for 1989 at FFr754m (£78.1m), a 45 per cent increase on the previous year. Guinness has a 24 per cent stake in LVMH and its shares added 7 at 652p. The first publication from Mr Nigel Popham, a new analyst at brokers Teather & Greenwood, was a buy note on Guinness.

News that Perrier was withdrawing its bottled mineral water from sale hurt its UK distributor H P Bulmer. The shares stages a late decline to 163p but rallied just before the close to 169p, still down 9 on the day.

Hartwell, currently the subject of a £151.3m bid from Oakhill, the UK vehicle of the Jameel Group, the Saudi Arabian trading concern, added 4 to 146p on talk that Oakhill would soon make a higher offer. Some 173,000 shares were traded, a figure said to be high by Hartwell standards.

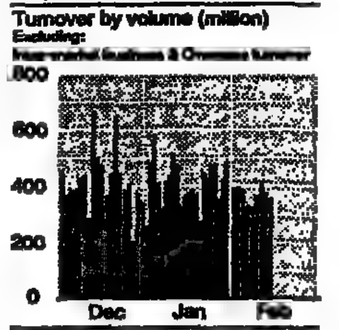
Eurotunnel fell 34 to 584p amid vague talk of management changes and problems over refinancing. After trading ended, it was revealed that the banks backing the building of the Channel tunnel had frozen any further payments to the project until the two sides reach agreement on management changes proposed at Eurotunnel.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



British Airways perked up on news of third quarter profits at £54m after aircraft sales are stripped out. But stories of US brokers' downgradings accompanied selling from New York and pulled the shares back from their high of 203p to 196p, down 2 on the day. Turnover was a busy 5.4m shares.

BP, which is scheduled to report fourth quarter figures today, put on 4 to 343p on good turnover of 8.7m shares after a bullish article in the US Press.

Enterprise Oil suffered from some determined selling and closed 9 off at 651p as hints of a possible rights issue to finance the purchases of the 20 per cent stake in the Huffington liquefied natural gas refinery in Indonesia along with Unocal's Norwegian interests. Also in the background were stories that ICI was about to place its 25 per cent stake.

Good demand for Rank Organisation nil-paid shares supported the fully-paid stock. Some 1.3m nil-paid changed hands as the price climbed 5 to 71p premium while the fully-paid rose 4 to 772p on turnover of 647,000.

The positive press comment that followed Reuters figures on Tuesday helped the shares climb 6 to 1046p.

News that NatWest was making a provision of £30m because of the Blue Arrow affair failed to disturb the shares which closed 2 off at 335p on turnover of only 1.2m shares. Barclays drifted back 4 to 550p on 1.6m and Midland 4 to 364p. Lloyds moved against the market, adding 5 at 285p after a line of stock overhanging the market was said to have been absorbed.

Standard Chartered, still surrounded by takeover speculation, rose 11 to 604p on 1.2m. Abbey National were a steady market, closing at 180p after increasing the mortgage rate.

Bank of Ireland dropped 8 to 259p with dealers saying the bank was exposed to the Drexel Burnham Lambert affair.

Switching out of Prudential, down 4 at 211p amid worries about a subsidiary's potential exposure to the junk bond market, and into Lloyds Abbey, saw the latter harden to 316p. Sun Life, where UAP has a 25 per cent stake, dropped 28 to 1360p, after announcing that it did not plan a a major acquisition for three years.

British Steel were a healthy market, the shares gaining 5 to 138p. Some 11m shares were traded with leading house James Capel said to have done most of the buying. Other investors eyeing the problems at Drexel Burnham Lambert also moved into British Steel on the belief that the company's high yield made it one of the better defensive stocks.

Mr Ewan Fraser at James Capel which issued a note on the European Steel sector said: "There has been destocking in the European market and indications are it will come to an end fairly shortly. The state of underlying demand remains strong throughout most of Europe and, for British Steel in particular, currency movements have assisted prices."

British Aerospace gave up 4 to 526p with the strike action in support of a shorter working week at a number of the the company's plants causing the shares to weaken.

Siebe were one of the big risers among industrial stocks. The shares added 12 to 425p following a bullish outcome to an analysts visit to the company on Tuesday. One analyst said, "the growing importance in the sales mix of the Japanese and West German markets more than make good the sales to the white goods and automotive industry which have recently been in the spotlight."

English China Clays continued the previous day's fall which stemmed from the warning that profits will be lower this year. Consequently, several analysts have downgraded their estimates, and renewed selling pressure put the shares down 16 more to 370p.

Flemings Research became the latest securities house to cut full-year profit expectations, moving down from the previous forecast of £165m to £140m. Mr David Taylor at Flemings believes profits will be better in the second-half of the year "but not good enough to reach the company's target of unchanged earnings."

BET were a penny better at 238p after talk subsided that it planned to acquire the UK side of Blue Arrow. An appreciation at Flemings Research on Tuesday boosted Norcros, the shares adding 9 to 200p with Flemings reported to have been an active shopper.

Gestetner, the office equipment group, bounced 6 to 213p when the company admitted it was in talks about an acquisition but would not be making a rights issue to finance the purchase. Instead it would rely on AFP Group, the company's main shareholder, paying £42.5m to turn convertible loan stock into shares.

Dalgety were actively traded as Henderson Crosthwaite remained positive towards the stock. Mr David Lang of Hendersons said Dalgety would continue to make steady progress, with growth in North America and Europe more than offsetting lower profits from property development in Australia. Dalgety finished 3 up at 381p on 3.8m.

Marketmakers and investors decided that USM-quoted G C Flooring was to become a vehicle for expansion after the company announced new board appointments and a rights issue. The shares jumped from 28p to 58p before settling at 53p. Mr Roy Simmons, the new chief executive, was formerly chief operating officer of Thomson T-Line and managing director of Nokia (UK), part of one of Finland's largest companies. There was steady demand for the shares with one dealer estimating turnover at 250,000. The 28p a share rights issue is intended raise about £1.6m.

Activity in the traded options market underpinned both Next and Sears. Next climbed 5 to 100p as a single buyer bought heavily into call options in the stock. Sears firmed a penny to 104½p as 5.2m shares changed hands. Sears also topped the activity list in the traded options market where contracts for just under 3m shares changed hands. Dealers spoke of familiar vague takeover talk in Sears.

A buy note from Nomura together with the continuing international roadshows helped Racal Electronics edge up to 224p and Racal Telecom put on 6 to 387p.

Unitech added 3 at 389p after news that Dr Tito Tettamanti, the Swiss-Italian arbitrageur, has increased his stake in the company to 19.63 per cent. Specialists said Dr Tettamanti had paid his highest-ever price for the latest block of shares, 1.67m; "Everyone has been waiting for him to buy more, at least it's a prop for the share price," said one analyst.

STC, due to announce preliminary figures on February 27, advanced 3 more to 265p with dealers picking up hints of imminent good news regarding ICL, its computer subsidiary.

The property sector was helped by vague talk that a large bid was in the offing. Priest Marians added 22 to 175p after an asset disposal.

Anglesey Mining, listed on the third market, jumped 15 to 175p on news that Kleinwort Benson had placed stock to the value of £1.5m with institutional investors at 154p a share. Anglesey will apply the funds to the continued underground development of the Parys Mountain base metal project.

Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues Page 22.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (29). BRITISH FUNDS (3) CANADIANS (3) BANKS (2) CHEMICALS (1) ELECTRICALS (1) FOODS (2) INDUSTRIALS (2) GC Flooring, Securiguard. INSURANCE (1) LEISURE (5) PAPERS (1) PROPERTY (1) TRANSPORT (1) TRUSTS (2) WATER (2) OILS (3) OVERSEAS TRADERS (1) THIRD MARKET (1).

NEW LOWS (72). AMERICANS (3) CANADIANS (3) BANKS (3) BREWERS (3) BUILDINGS (2) STORES (3) ELECTRICALS (2) ENGINEERING (1) INDUSTRIALS (14) Bear Brand, Beaverco, Billam (J), Cookson, De La Rue, Hartons, Hunting 8¼pc. Pf., RKF, Radiant Metal, Sale Tilney, Silverminea, Stonehill, Tamaris, Waterman Partnership. LEISURE (3) PAPERS (2) PROPERTY (3) SHOES (1) TEXTILES (2) TRANSPORT (1) TRUSTS (5) WATER (2) OILS (1) MINES (3) THIRD MARKET (6).

APPOINTMENTS

New chief at TSB Bank Scotland

From February 19 Mr Charles Love, managing director, banking services, at TSB retail banking division, London, becomes chief executive, TSB BANK SCOTLAND, and director, northern region, succeeding Mr Eric Wilson who is retiring for health reasons. Mr Love will be succeeded by Mr Hamish Paton, chief executive, United Dominions Trust. Mr Hamish will be responsible for TSB Trustcard, Mortgage Express, TSB Property Services and UDT.

■ LONDON ECONOMICS has appointed Mr Alan Cropper as its executive director. He was group finance director of Jaques Vert. Mr Nicholas Owen has joined as a managing consultant. He was deputy head of the Prime Minister's policy unit from 1983 to 1986, and more recently was an assistant secretary at the Ministry of Defence.

■ Mr Dick Watts has been appointed managing director of DELTA CROMPTON CABLES from the end of June. He was managing director of the general cables division and succeeds Mr Ron Ludwick who becomes non-executive chairman. On the same date Mr Peter Bourne is promoted to deputy managing director. He continues as finance director.

■ Mr J. Niven Duncan has joined the OLAYAN GROUP as a non-executive director of Olayan Europe. He retired on December 31 as vice chairman of Sedgwick Group and is currently a board member of Eastern Electricity.

■ FORGED ROLLS (UK), part of Sheffield Forgemasters Group, has appointed Dr Peter Carless as managing director. He was works director at sister company Midland Rollmakers.

■ Mr Derek Huish, an actuary and stockbroker, has been appointed head of investment research, and fund manager, at RATHBONE BROS & CO, Liverpool.

Building Employers Confederation director-general

Mr John Owens becomes director-general of the BUILDING EMPLOYERS CONFEDERATION from April 2. He is deputy director general of the Confederation of British Industry, where he is responsible for membership, regional and information directorates, and for helping British companies prepare for the single European market. (See also OBSERVER page 24)

■ PRINCESS AIR is appointing Mr Peter Drew to the board as deputy chairman in August. He is currently managing director of Select Holidays and chairman of Channel Islands Travel Services (OSL) and Travel Services (IOM).

Mr Alan Fletcher has been appointed group chief executive of JAMES NEILL HOLDINGS, Sheffield-based hand and garden tool manufacturer. He takes over from Mr Peter Bullock who is leaving the company. Mr Fletcher was previously chief operating officer of Swedish Match and before that the Wilkinson Sword Group.

■ BEAR, STEARNS & CO INC, New York, has appointed Mr Joseph R. King and Mr Michael J. Wellman as managing directors in its London office. Mr King was executive director at Kidder Peabody International, London, and Mr Wellman was director of investment banking at J. Henry Schroder Wagg.

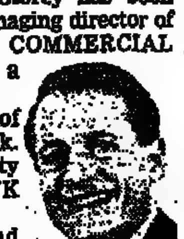
■ Mr J.R. Harris, formerly marketing director, British Airways, is to become chairman of THE PLIMSOLL LINE, a UK regional airline group, on April 1. He succeeds Mr Charles Stuart who remains chairman, Brymon Airways and Plymouth City Airport. Mr Jorn Eriksen becomes managing director of TPL, remaining managing director of BEA.

■ QUILTER GOODISON CO, private client and fund management arm of Commercial Union Assurance Co, has appointed Mr James Sandilands as assistant managing director. He was divisional managing director, fund management, Credit Suisse Buckmaster & Moore.

■ DAVID S. SMITH (HOLDINGS) has appointed Mr Michael Green as a director. He adds St Regis Packaging to his responsibilities for Corrugated Products, British Sisalkraft, and David S. Smith Plastics.

■ FMM GROUP, part of Commercial Union Assurance, has appointed Mr Ian Hare to the new post of general manager FMM UK, and a director of Fleet Motor Management, FMM Fleet Consultants and FMM Computer Consultants.

■ NOVELL, Bracknell, has promoted Mr Ben Smith, sales manager, to sales director.



■ Mr David Storey has been appointed managing director of BARCLAYS COMMERCIAL SERVICES, a wholly-owned subsidiary of Barclays Bank. He was deputy director, UK corporate services, and replaces Mr Bernard Jenkins who has retired.

LONDON SHARE SERVICE

BRITISH FUNDS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
12	868p	Bio-Rad Labs. A	961p	-36½	-	-	-
20¼	13¾	Bowater Inc.	14½	-½	$1.20	-	5.0
12⅝	7⅞	Brunswick 75c	7⅞		44c	-	3.5
46⅝	28⅛	CPC Intnl. 25c	38¼	-½	$1.60	-	2.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1989/90 High	1989/90 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	255	–5	44c	1.4	7.8	9.1
191	134	Abbey National 10p	186	+½	L7.7	2.7	5.7	7.3
*282	120½	Allied Irish Ord.	254	–1	hQ6.8%	3.3	3.2	13.1
£13½	£11⅝	Algemene Fl.10	£12⅜	......	Q28%	2.0	7.5	6.7
*85	61	Anglo Irish	85	......	Q18.7%	2.7	5.2	11.6
81	57	Ansbacher (H.) 1p	76	......	2.0	–	3.5	–
£72¼	£38¼	Bancaire Cie Fr100	£57¼	–¼	Q12½%	–	2.3	–
£46⅞	£35⅝	Banco Bilbao Viz.	£39½	–⅛	Q35.7%	2.0	3.4	14.5
£33	£25½	Banco de Santander	£25½	–1½	Q21%	♦	3.3	♦
*286	169	Bank Ireland Ir£1	259	–8	hQ8.7%	3.2	4.5	8.9
£19½	£17½	Bank Leumi	£19½	......	–	–	–	–
350	345	Bank Leumi (U.K.)	345	......	†13.5	–	5.2	–
125	88	Bank Scotland	117	+1	†3.8	3.4	4.3	8.4
111¼	95½	Do. 9¾pc Irrd Pf.	98	......	9¾%	–	12.6	–
*67	49	Bank of Wales	52	......	2.8	1.6	7.2	10.9
*568	404	Barclays £1	550	–4	†23.0	3.5	5.6	6.3
31	19	Benchmark 20p	20	......	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	315	......	†10.5	–	4.4	–
455	325	Cater Allen £1	417	–2	23.5	–	7.5	–
259	157	Chancery	172	......	18.0	2.8	6.2	7.6
£23¾	£14½	Commerzbk DM10	£21¼	–¼	Q18%	–	3.1	–
*£29	£22½	C'hgn.Hbk.Kr100	£25¾	+⅛	Q15%	–	5.6	–
£16⅞	£10¼	Dai Ichi KBk Y50	£11½	–⅛	†Q16%	8.8	0.3	40.4
£314¼	£234¼	Deutsche Bk DM50	£281½	–2½	Q24%	–	1.5	–
£22¼	£17⅝	Espirito Santo	£19½	–¼	075c	3.5	2.3	13.3
260	182	First Nat. Fin. 10p	218	......	13.0	2.4	8.0	6.7
134	90	FNFC 6.3pc Cv. Pf.	115	......	6.3%	–	7.3	–
£16⅝	£13½	Fuji Bank Y50	£14	–⅛	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	281	–2	18.5	–	8.8	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... ▼	89	-2
Craig & Rose £1.. ▼	836	.....
Finlay Pkg. 5p.... ▼	58	.....
Holt (Jos) 25p.... ▼	1340	-6

IRISH

Cap. 8½% Ln. 1991	£96⅞	.....
9pc Cap Ln. 1996..	£91½	.....
Fin. 13% 97/02...	£110½	.....
Arnotts........	405	.....
Carrol (P.J.)....... ▼	161	.....
Hall (R. & H.).......	187	-3
Heiton Hldgs...... ▼	106xd	.....
IRG........	210	.....
United Drug........	165	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	26
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen.	32
Lex Service	26
Lloyds Bank	21
Lucas Inds.	54
Marks & Spencer	16
Midland Bk.	26
Morgan Grenfell	38
Nat West Bk.	23
P & O Dfd.	81
Polly Peck	38
Racal Elect.	20
RHM	39
Rank Org Ord.	72
Reed Intnl.	34
STC	25
Sears	9
SmKl. Beecham A.	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	25
T&N	16½
Unilever	57
Vickers	22
Wellcome	58

Property

Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	19

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	49.25	49.25xd	52.48	-0.37	[illegible]
Gilts & Fixed Int.	6	106.1	106.1	112.5	+0.2	[illegible]
High Inc Equity	6	136.3	139.3xd	144.8	+0.4	4.37
Worldwide Bond	6	194.2	194.5xd	205.8	-0.8	[illegible]
Capital Growth						
American Growth	6	178.6	180.3xd	191.9	-1.1	1.14
Asian Pacific	6	125.6	125.6	134.4	-0.5	0.00
Assets & Earnings	6	156.7	156.7	167.6	+0.4	3.01
Capital Reserve Acc	0	88.61	88.61	88.68	+0.01	6.77
Capital Reserve Inc	0	78.62	78.62	78.69	+0.01	7.46
Cmdty & Energy	6	113.1	113.1	121.0	-1.5	[illegible]
Dividend & Growth	6	46.67	47.71	50.76	-0.05	4.43
1992 Enterprise	6	62.01	62.01	66.33	-0.01	2.44
Euro Capital Acc	6	98.93	99.73	106.1	-0.5	0.93
Euro Capital Inc	6	95.39	96.16	102.3	-0.5	0.93
General	6	176.3	176.3xd	188.6	+1.0	2.65
International	6	61.35	61.99xd	65.95	-0.33	0.76
Japan	6	114.8	114.8	122.3	-0.7	0.00
Mastertrust	6	90.07	90.07	96.34	-0.23	1.47
UK Growth Acc	6	181.4	181.4	194.1	+0.4	[illegible]
UK Growth Dist	6	119.9	119.9	128.3	+0.2	2.39
US Emerging Cos	6	51.57	52.42	56.30	-0.42	0.00
Income & Growth	6	301.3	301.3	322.3	+0.2	3.18
Ethical	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.09	31.09	33.19	-0.07	3.14
European	5¼	81.61	81.87xd	87.39	-0.33	0.08
European Income	5¼	79.05	79.07	84.41	-0.34	1.92
Exempt	3	742.1	742.1xd	771.8	-0.2	1.40
Extra Income	5¼	43.36	43.36	46.28	+0.09	4.22
F East Emerg Econ	5¼	63.57	64.29	68.86	-0.24	0.01
Fund Inv Tst	5	128.7	136.6	144.8	-0.20	1.50
Do Accum	5	201.8	212.7	227.0	-0.30	1.50
Gilt & Fixed Int	5¼	18.68	19.09	20.37	-0.04	12.86
Income & Growth	5¼	70.16	70.16xd	74.89	-0.04	3.66

Brycourt Unit Tst Mngmt Ltd (1400)F
Nesbeth Hse, Portman Sq, W1H 0JR 01-935 6362

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	192.1	192.1	199.0	—	4.89

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5	61.50	63.05	66.40	+0.08	2.70
(Accum Units)	5	63.76	65.30	69.28	+0.08	2.70
Fellowship Tst	5	62.49	62.49	66.08	-0.15	3.36
(Accum Units)	5	64.79	64.79	68.52	-0.14	3.36
General Inc	5	291.4	291.4	308.2	+0.1	3.48
(Accum Units)	5	499.4	499.4	528.1	+0.2	3.48
Income	5	159.0	160.3	170.1	+0.2	[illegible]
(Accum Units)	5	315.2	317.7	337.1	+0.3	4.46
International	5	108.7	108.7	115.0	-0.5	1.05
(Accum Units)	5	149.4	149.4	158.0	-0.8	1.05
Smaller Co's	5	106.8	108.7	115.3	—	2.14
(Accum Units)	5	118.6	120.5	127.9	—	2.14
Inv Portfolio	2½	53.34	54.19xd	55.87	-0.02	3.92
(Accum Units)	2½	55.92	56.81xd	58.57	-0.02	3.92
High Income Port	3	47.37	48.04	49.78	+0.2	6.35

Burrage Unit Tst Mangmt Ltd (0900)F
117 Fenchurch St, London EC3M 5AL 01-480 7206

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sel Det Gilt & FI	1½	56.06	56.06	56.85	-0.05	2.78

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 5966

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD

CIBC Unit Tst Managers plc (1200)H

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	6	102.2	103.7xd	110.4	+0.1	[illegible]
UK Income	6	103.4	105.1	111.9	+0.3	[illegible]

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 6545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	47.03	49.06	51.26	-0.21	1.05
(Accum Units)	5	48.40	49.46	52.73	-0.22	1.05
European Opps	5	71.30	71.52	76.28	-0.04	0.00
(Accum Units)	5	71.39	71.91	76.70	-0.04	0.00
Far Eastern Opps	5	137.00	137.21	146.33	-0.22	0.00
(Accum Units)	5	137.88	138.09	147.29	-0.21	0.00
Golden Opps	5	46.55	46.55xd	49.64	-0.10	0.00
(Accum Units)	5	47.88	47.88xd	51.06	-0.10	0.00
Intl Hi-Yield	5	57.35	58.04xd	61.90	-0.19	4.44
(Accum Units)	5	62.47	63.00xd	67.19	-0.22	4.44
Sanyo Japan Tst	5	72.65	72.65	77.48	-0.05	0.00
(Accum Units)	5	72.65	72.65	77.48	-0.05	0.00
Kangaroo	5	32.86	32.86	35.04	-0.03	1.49
(Accum Units)	5	33.04	33.04	35.24	-0.03	1.49
Oriental Income	5	34.16	34.16	36.43	-0.17	5.14
(Accum Units)	5	38.29	38.29	40.84	-0.19	5.14
Pacific Technology	5	59.58	59.58	63.54	....	0.00
(Accum Units)	5	60.06	60.06	64.05	-0.01	0.00
Tiger	5	148.29	148.65	158.53	-0.05	0.71
(Accum Units)	5	150.60	150.95	161.01	-0.07	0.71
UK Hi-Yield	5	43.47	43.47	46.35	+0.13	4.92
(Accum Units)	5	49.70	49.70	53.00	+0.15	4.92
UK Opps	5	55.46	56.84	60.79	+0.32	1.66
(Accum Units)	5	60.14	61.64	65.92	+0.35	1.66

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Rd, Washington NE37 2SH 091 415 3034

Balanced Portfolio	6	92.74	93.94	99.94	+0.26	4.00

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing – 12 Noon Historic

TR American Grth	5¼	44.35	44.35	47.30	+0.04	0
TR Eur Sp Sits Acc	5¼	41.00	41.00	43.70	-0.03	0
TR Eur Sp Sits Inc	5¼	40.20	40.20	42.85	-0.03	0
TR General Growth	5¼	74.28	74.28xd	79.02	-0.30	2.89
TR Global Tech	5¼	70.32	70.32	75.00	-0.08	0
TR Income Growth	5¼	87.18	87.60xd	93.27	+0.16	4.40
TR Income Monthly	5¼	93.96	93.96	99.53	-0.08	6.64
TR Japan Growth	5¼	97.02	97.02	103.0	-0.50	0
TR Overseas Growth	5¼	66.81	66.81	71.28	-0.31	0

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	148.3	147.01	....	2.42

Stewart Ivory & Co Ltd

Saints PFP Jan 21	264.6	278.61	....	–

Closed to new business

Thornton Unit Managers Ltd

Managed Exempt Feb 1	102.42	109.42xd	....	3.82
(Accum Units)	103.06	109.06xd	....	3.82

Touche Remnant Unit Tst Mngt Ltd

TR Exempt European	1120	1145	....	1.98
TR Exempt Nth Amer	900	913	....	3.57
TR Exempt Pac Basin	993	1004	....	0

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

AA Friendly Sc Feb 9	[illegible]	171.9	....	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	301.4	317.3	....	–
Equity Ser. 1	133.2	140.3	+0.1	–
Prop. Acc. Ser 2	464.7	489.2	....	–
Equity Ser 2	154.5	162.7	+0.1	–
Selective Acc.	348.1	366.5	....	–
Prop. Ser. 4	362.9	382.0	....	–

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	104.8	110.4	----	-
Managed Growth	140.7	148.2	-0.5	-
Managed Opportunity	144.8	152.5	-0.7	-
NFMC Target Financial	101.0	106.4	-0.7	-
Pension Funds				
Managed Cautionary	109.4	115.2	-0.2	-
Managed Growth	145.1	152.8	-0.7	-
Managed Opportunity	148.0	155.8	-0.9	-
NFMC Target Mngd Pen	1526.6	1603.8	-0.4	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	225.9	237.8	-1.9	-
Managed Prospect Fund	189.6	199.6	-1.5	-
Pens Managed	287.1	302.3	-1.7	-
Pens UK Equity	344.1	362.3	-1.9	-
Pens Overseas Equity	377.9	397.8	-4.6	-
Pens Property	161.6	170.2	-8.9	-
Pens Fixed Interest	177.1	186.5	+0.7	-
Pens Index Linked	145.9	153.6	-1.0	-
Pens Deposit	189.2	199.2	+0.5	-
Harvester & P.R.P.				
UK Equity	150.3	158.3	-0.8	-
Overseas Equity	135.2	142.4	-1.6	-
Fixed Interest	121.1	127.5	+0.6	-
Property	134.5	141.6	-7.4	-
Index Linked	132.5	139.5	-0.9	-
Deposit	131.2	138.2	+0.4	-
Managed	144.6	152.3	-0.9	-
With Profits	134.7	141.9	+0.3	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	343.0	361.1	+0.1	-
UK Equity	441.4	464.7	+0.2	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Property Initial		168.8	-0.1	-
Money Initial		78.5	----	-
Special Market Initial		138.1	-0.2	-
Japan Equity Initial		116.0	-0.5	-
North American Initial		79.6	-0.6	-
Pacific Initial		80.8	-0.1	-
Technology Initial		105.9	-0.1	-
Nat Resources Initial		57.0	-0.2	-
European Initial		101.4	-0.1	-
Residential Prop Init		103.6	----	-
Swiss Equities Initial		35.6	----	-
Hong Kong Initial		46.0	-0.1	-
UK High Inc Eq Init.		69.3	+0.1	-
Int. Fixed Interest Init.		49.4	+0.1	-
Int. Managed Init.		95.8	----	-
HIP Managed Init		114.3	----	-
Broker Funds				
High Performance	75.1	79.2	-0.1	-
Towerhill Mngd Fd Acc.	52.1	54.9	-0.7	-
YRA Executive Fd.	91.8	96.8	-0.1	-
£ Global Growth Acc.	130.5	137.6	----	-
£ High Income Money Acc.	111.4	117.7	----	-
IM Balanced		59.5	+0.2	-
H F. Speculator Fd		153.5	----	-
PEP Acorn II		125.1	-0.2	-
PEP Cautionary		94.7	+0.1	-
AAFS Int. Man Fund		120.5	-0.3	-
Andrews-Green Inv Port.		105.4	----	-
Individual Pension Funds				
UK Equity Acc.	225.5	237.9	+0.9	-
UK Fixed Interest Acc.	177.5	187.3	+0.4	-
Intl Equities Acc.	241.0	254.3	-0.3	-
UK Managed Acc.	182.9	192.9	+0.3	-
Property Acc.	212.1	223.8	-0.2	-
Money Acc.	135.1	142.6	+0.1	-
Special Market Acc.	278.7	294.0	-0.6	-
Japan Equity Acc.	241.3	254.6	-1.3	-
North American Acc.	123.2	130.0	-1.1	-
Pacific Acc.	198.7	209.6	-0.4	-

Shield Assurance Ltd
40 Uxbridge Rd, W5 2BS. 01-567 8700

	Bid Price	Offer Price	+ or -	Yield Gross
Shield Life Mngd.	123.2	129.9	-0.5	-
Shield Pensions Mngd.	133.2	140.3	-0.6	-
Shield Secure	105.7	111.0	+0.1	-
Shield Secure Pens.	112.4	118.1	+0.3	-
Shield Broad	114.0	120.2	-0.3	-
Shield Broad Pens.	118.2	124.6	-0.2	-

Sharp (Albert E.) & Co.
12 Newhall Street, Birmingham B3 3ER 021 200 2244

	Bid Price	Offer Price	+ or -	Yield Gross
Man-Clerical Med.	144.5	152.2	-0.1	-
Pent Man NM	670.1	705.3	+0.2	-

Sun Alliance Group — **Tunbridge Wells Equitable** — **Siltala Fund Managers Limited** — **Royal Bank of Canada Funds** [illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IOM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

MANAGEMENT SERVICES

[illegible]

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[illegible]

DUBLIN (**)

[illegible]

OFFSHORE INSURANCES

[illegible]

JERSEY (**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Dollar Fd BOPUPs	$10.65	10.66	----	-
Dollar Fd OPUPs	$12.93	13.07	----	-
Sterling Fd BOPUPs	£10.76	10.77	----	-
Sterling Fd OPUPs	£14.03	14.18	----	-
DM Fd BOPUPs	DM10.31	10.32	----	-
DM Fd OPUPs	DM12.78	12.92	----	-
Yen Fd BOPUPs	$8.32	8.33	----	-
Yen Fd OPUPs	$12.78	12.92	----	-
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$12.62	13.39	----	0.82
Wells Fargo U.S. IT Fund				
NAV Feb 13		59.59	----	-
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$27.15	----	-

Money Market Trust Funds

	Gross	Net	Cr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD				0732 770114
Cafcash Deposit Fd.	14.75	-	15.59	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Deposit	14.80	-	15.64	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX				01-236 1425
Call Fnd	14.56	11.40	15.63	6-Mth
7-day Fund	14.85	11.62	15.93	6 Mth
Special Fund	14.59	-	16.05	Mth
Dollar	7.00	5.48	7.45	3 Mth

Money Market Bank Accounts

	Gross	Net	Cr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY				01-638 6070
Treasury Acc.	13.50	10.56	14.64	Qtr
Mth Int Chq £1,000-£4,999	13.50	10.56	[illegible]	Mth
Mth Int Chq £5,000-£49,999	14.00	10.95	15.35	Mth
Mth Int Chq £50,000+	14.50	11.35	15.94	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD				01-629 6802
OMNIA (£2,001+)	14.50	11.35	15.94	Mth
HICA (£2,001+)	13.90	10.88	15.248	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN				01-625 7000
2,000-9,999	13.738	10.750	14.922	Qtr
£10,000+	14.056	11.000	15.283	Qtr
Bank of Scotland				

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and D-Mark subdued

CURRENCIES traded quietly yesterday, lacking fresh factors. The market awaited further news on German reunification and the US trade figures on Friday. Mr Karl Otto Pöhl, president of the Bundesbank, attempted to reassure the financial markets after the recent sharp fall in West German Government bonds. He said: "We are not ready to finance reunification by printing money", and added that fears about inflation are not justified. Mr Pöhl noted that unification will take time, and to avoid the risk of inflation the Bundesbank should maintain a tight monetary policy.

The D-Mark held steady, below the Italian lira and Spanish peseta, but towards the top of the European Monetary System. The D-Mark was fixed at L743.08 in Milan, virtually unchanged from Tuesday's London close, and finished in London last night slightly weaker at L742.75. The French franc remained one of the weaker EMS currencies and lost ground to the D-Mark, but there was no sign of Bank of France intervention. The D-Mark rose to FFr3.4010 from FFr3.4000 at the London close, and was fixed in Paris at FFr3.4034.

The US trade deficit for December is generally expected to show an improvement. A survey by Money Market Services points to a deficit of about $9bn, compared with $10.5bn in November. Fears surrounding Drexel Burnham Lambert were already well discounted in the market, and news that the company has filed for bankruptcy had no real impact. However, doubts about the health of the other traders on New York's financial markets, as a result of the Drexel affair, overhung the dollar and dragged it lower.

At the London close the dollar had declined to DM1.6715 from DM1.6765; to Y144.25 from Y144.35; to SFr1.4920 from SFr1.4965; and to FFr5.6850 from FFr5.7000. The dollar's index eased to 67.0 from 67.1.

High London interest rates continued to underpin sterling, but the currency showed little overall change. The pound's index closed unchanged at 89.4. Sterling rose 55 points to $1.6965. It also improved to Y244.75 from Y244.00 and to FFr9.6450 from FFr9.6375, but was unchanged at DM2.8350 and at SFr2.5300.

The South African financial rand remained volatile, as the Government in Pretoria challenged the economic policies of the African National Congress. Mr Gerrit Viljoen, Constitutional Development Minister, said the Government would go all out to expose the proven failure of these economic policies.' He was referring to the ANC's proposals to nationalise sectors of the South African economy. President F.W. de Klerk commented that the crumbling of the "Communist Block" had exposed the bankruptcy of policies shared by the ANC.

In London the dollar rose to R3.57 from R3.43 against the financial rand, reflecting nervousness about the future of the South African economy.

£ IN NEW YORK

Feb.14	Latest	Previous Close
£ Spot	1.6915-1.6925	1.6910-1.6920
1 month	0.87-0.86pm	0.85-0.84pm
3 months	2.72-2.69pm	2.65-2.63pm
12 months	9.40-9.30pm	9.50-9.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.14	Previous
8.30 am	89.5	89.4
9.00 am	89.4	89.4
10.00 am	89.4	89.4
11.00 am	89.4	89.3
Noon	89.4	89.3
1.00 pm	89.5	89.3
2.00 pm	89.4	89.3
3.00 pm	89.4	89.3
4.00 pm	89.4	89.4

CURRENCY RATES

Feb.14	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.27175	1.39025
U.S Dollar	7	1.32400	1.21899
Canadian $	12.29	1.58840	1.46851
Austrian Sch.	6½	15.7066	14.3596
Belgian Franc	10¼	46.6876	42.6371
Danish Krone	10½	8.62123	7.87343
Deutsche Mark	6.00	2.23240	2.03936
Neth. Guilder	7.00	2.52560	2.29840
French Franc	10¼	7.59115	6.93846
Italian Lira	13½	1658.38	1515.95
Japanese Yen	4¼	191.292	176.082
Norway Krone	8	8.59011	7.87099
Spanish Peseta		144.225	132.016
Swedish Krona	9½	N/A	7.47360
Swiss Franc	6.00	N/A	1.82238
Greek Drach.	20½	N/A	192.271
Irish Punt	-	N/A	0.769561

‡ Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Feb.13

CURRENCY MOVEMENTS

Feb.14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.4	-22.0
U.S Dollar	67.0	-10.9
Canadian Dollar	100.5	-1.6
Austrian Schilling	110.0	+12.1
Belgian Franc	110.1	-3.2
Danish Krone	109.5	+3.7
Deutsche Mark	118.9	+25.2
Swiss Franc	108.4	+16.6
Guilder	114.7	+16.6
French Franc	103.6	-12.6
Lira	100.4	-18.7
Yen	128.9	+59.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.13.

OTHER CURRENCIES

Feb.14	£	$
Argentina	4863.00-4883.00	2870.00-2880.00
Australia	2.2760-2.2780	1.3435-1.3445
Brazil	36.1940-36.3630	21.3600-21.4670
Finland	6.6670-6.6880	3.9375-3.9475
Greece	267.00-267.20	155.00-157.65
Hong Kong	13.2285-13.2415	7.8080-7.8100
Iran	117.00*	69.25*
Korea(Sth)	1158.35-1177.00	687.00-692.40
Kuwait	0.49130-0.49240	0.29050-0.29100
Luxembourg	59.25-59.35	34.90-35.00
Malaysia	4.5770-4.5885	2.7030-2.7050
Mexico	4619.00-4635.00	2726.00-2736.00
N. Zealand	2.9060-2.9130	1.7160-1.7190
Saudi Ar.	6.3430-6.3485	3.7500-3.7510
Singapore	3.1530-3.1600	1.8615-1.8635
S. Af (Cm)	4.2995-4.3105	2.5440-2.5455
S. Af (Fn)	5.9985-6.1060	3.5400-3.6095
Taiwan	44.25-44.35	26.10-26.15
U.A.E.	6.2110-6.2165	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Feb 14	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14¾	14⅞-14¾	15⅛-15	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛
US Dollar	8⅛-8⅛	8¼-8⅛	8⅜-8⅛	8⅜-8⅜	8½-8¼	8⅝-8⅞
Can. Dollar	12¾-12¼	12¾-12⅜	12⅞-12⅜	12⅞-12⅝	12½-12¼	12¼-11⅞
D. Guilder	9-8½	9⅛-8⅞	9-8⅞	9⅛-9	9⅜-9⅛	9⅝-9⅜
Sw. Franc	9-8⅞	9⅛-8⅞	9⅜-9¼	9⅝-9½	9⅞-9⅞	9⅝-9⅛
Deutschmark	7⅞-7¾	8-7⅞	8⅛-8⅛	8⅜-8⅛	8⅝-8⅜	9⅛-9
Fr. Franc	10⅞-10⅛	10⅝-10½	10⅞-10⅝	11⅛-11⅛	11⅜-11⅛	11½-11⅜
Italian Lira	13-11	14-13	13¼-12⅞	13¼-12⅞	13⅛-12⅞	13⅝-13⅜
B. Fr. (Fin)	9⅞-9⅛	10⅛-10⅛	10⅛-10⅛	10⅝-10⅝	10⅞-10⅝	11-10⅞
B. Fr. (Con)	10-9⅞	10⅛-10⅛	10⅛-10⅛	10⅞-10½	11-10⅞	11⅛-10⅞
Yen	6½-6⅜	6⅝-6⅛	6⅞-6⅛	7⅛-7⅛	7⅛-7⅛	7½-7⅜
D.Krone	12⅛-11⅞	12⅞-12⅛	12⅞-12⅛	12⅞-12⅜	12⅞-12½	12⅞-12⅜
Asian $Sing	8¼-8⅛	8⅜-8⅛	8⅜-8⅛	8⅝-8⅛	8½-8⅜	8⅝-8⅛

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 9-8⅞ per cent; four years 9⅛-8⅞ per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6905-1.6970	1.6960-1.6970	0.87-0.85cpm	6.08	2.67-2.64pm	6.26
Canada	2.0345-2.0485	2.0460-2.0470	0.39-0.32cpm	2.08	1.12-1.01pm	2.08
Netherlands	3.18¾-3.20¼	3.19-3.20	1½-1¼cpm	5.40	4½-4¼pm	5.56
Belgium	59.10-59.40	59.25-59.35	21-19cpm	4.05	63-59pm	4.11
Denmark	10.92-10.97	10.93¼-10.94¼	2½-2¼orepm	2.54	6½-5⅞pm	2.26
Ireland	1.0670-1.0750	1.0695-1.0705	0.30-0.25ppm	3.08	0.94-0.84pm	3.33
W. Germany	2.82¼-2.84¼	2.83¼-2.83¾	1½-1⅜pfpm	6.08	4½-4¼pm	6.26
Portugal	249.45-251.00	249.50-250.50	9-25cdis	-0.82	115-156dis	-2.17
Spain	182.85-183.85	183.35-183.65	19-11cpm	0.98	16-4pm	0.22
Italy	2102-2110½	2105¾-2106¾	3-2lirepm	1.42	10-8pm	1.71
Norway	10.92-10.96⅞	10.95½-10.96½	3¾-2⅞orepm	3.35	9⅞-9¼pm	3.40
France	9.62¼-9.66½	9.64-9.65	3¼-2⅞cpm	3.73	9⅞-9⅛pm	3.86
Sweden	10.35⅞-10.39	10.38½-10.39½	N/A	N/A	N/A	N/A
Japan	244-245½	244¼-245¼	1⅞-1½ypm	7.66	4⅞-4⅜pm	7.25
Austria	19.93-20.00	19.94-19.98	10¼-9¼gropm	6.09	29⅞-27⅛pm	5.79
Switzerland	2.52½-2.53½	2.52½-2.53½	1¼-1cpm	5.04	3⅝-3¼pm	5.04
ECU	1.3900-1.3915	1.3900-1.3910	0.42-0.39pm	3.50	1.22-1.17pm	3.44

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 59.25-59.35 Six-month forward dollar 5.25-5.20cpm 12 months 9.60-9.50cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6905-1.6970	1.6960-1.6970	0.87-0.85cpm	6.08	2.67-2.64pm	6.26
Ireland†	1.5795-1.5875	1.5840-1.5850	0.41-0.36cpm	2.92	1.45-1.35pm	3.53
Canada	1.2000-1.2075	1.2065-1.2075	0.39-0.41cdis	-3.98	1.26-1.30dis	-4.25
Netherlands	1.8795-1.8910	1.8825-1.8835	0.09-0.11cdis	-0.64	0.36-0.39dis	-0.80
Belgium	34.85-35.05	34.90-35.00	3.00-9.00cdis	-2.06	14.00-24.00dis	-2.18
Denmark	6.43¾-6.47¼	6.44¼-6.45	1.85-2.05oredis	-3.60	6.25-6.75dis	-4.00
W. Germany	1.6675-1.6780	1.6710-1.6720	0.02pm-parpfpm	0.07	0.11-0.14dis	-0.30
Portugal	147.35-147.85	147.40-147.50	80-90cdis	-6.48	305-330dis	-8.06
Spain	107.90-108.60	108.10-108.20	44-49cdis	-5.16	163-172dis	-6.20
Italy	1240-1246¼	1241¼-1241¾	3.00-5.00liredis	-3.87	13.00-15.00dis	-4.51
Norway	6.45-6.46½	6.45¾-6.46¼	1.30-1.55oredis	-2.65	4.60-5.00dis	-2.97
France	5.67½-5.70½	5.68¼-5.68¾	1.06-1.11cdis	-2.29	3.80-3.90dis	-2.71
Sweden	N/A-N/A	6.12¼-6.12¾	N/A	N/A	N/A	N/A
Japan	144.05-144.60	144.20-144.30	0.18-0.16ypm	1.41	0.38-0.36pm	1.02
Austria	11.74¾-11.81¼	11.76½-11.77	0.30pm-0.10gdis	0.10	0.50-1.70dis	-0.37
Switzerland	1.4890-1.4975	1.4915-1.4925	0.11-0.14cdis	-1.01	0.41-0.46dis	1.17
ECU	1.2155-1.2215	1.2185-1.2195	0.27-0.25cpm	2.56	0.89-0.86pm	2.87

Commercial rates taken towards the end of London trading.† UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.90-35.00.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6371	+1.11	+1.11	±1.5908
Danish Krone	7.79845	7.87343	+0.96	+0.96	±1.6453
German D-Mark	2.04446	2.03936	-0.25	-0.25	±1.1762
French Franc	6.85684	6.93846	+1.19	+1.19	±1.3618
Dutch Guilder	2.30358	2.29840	-0.22	-0.22	±1.5272
Irish Punt	0.763159	0.769561	+0.84	+0.84	±1.6689
Italian Lira	1529.70	1515.95	-0.90	-0.90	±1.5162
Spanish Peseta	132.889	132.016	-0.66	-0.66	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb.14	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.697	2.835	244.8	9.645	2.530	3.195	2106	2.007	59.35
$	0.589	1.	1.671	144.3	5.684	1.491	1.883	1241	1.183	34.94
DM	0.353	0.598	1.	86.36	3.402	0.892	1.127	742.9	0.708	20.91
YEN	4.085	6.930	11.58	1000.	39.40	10.33	13.05	8603	8.202	242.2
F Fr.	1.037	1.759	2.939	253.8	10.	2.623	3.313	2184	2.122	61.48
S Fr.	0.395	0.671	1.121	96.76	3.812	1.	1.263	832.4	0.809	23.44
H Fl.	0.313	0.531	0.887	76.62	3.019	0.792	1.	659.2	0.641	18.56
Lira	0.475	0.806	1.346	116.2	4.580	1.201	1.517	1000.	0.972	28.16
C $	0.489	0.829	1.385	119.6	4.712	1.236	1.561	1029	1.	28.97
B Fr.	1.686	2.862	4.781	412.8	16.26	4.266	5.388	3551	3.452	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
84	3-26	4-50	0-02	0-26
85	2-27	3-60	0-03	0-36
86	1-31	3-13	0-07	0-53
87	0-46	2-32	0-22	1-08
88	0-16	1-58	0-56	1-34
89	0-04	1-27	1-44	2-03
90	0-02	1-04	2-42	2-44
91	0-01	0-50	3-41	3-26

Estimated volume total, Calls 1666 Puts 2993
Previous day's open int. Calls 26501 Puts 17227

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
91	3-31	3-55	0-01	0-33
92	2-32	3-11	0-02	0-53
93	1-34	2-30	0-04	1-08
94	0-44	1-54	0-14	1-32
95	0-14	1-22	0-48	2-00
96	0-04	0-61	1-38	2-39
97	0-02	0-43	2-36	3-21
98	0-01	0-29	3-35	4-07

Estimated volume total, Calls 12 Puts 400
Previous day's open int. Calls 10157 Puts 5780

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
8150	1.75	2.61	0.07	1.06
8200	1.31	2.30	0.13	1.25
8250	0.92	2.01	0.24	1.46
8300	0.60	1.75	0.42	1.70
8350	0.36	1.51	0.68	1.96
8400	0.18	1.30	1.00	2.25
8450	0.10	1.11	1.42	2.56
8500	0.06	0.94	1.88	2.89

Estimated volume total, Calls 6490 Puts 4379
Previous day's open int. Calls 45817 Puts 40241

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Feb	Mar	Puts-settlements Feb	MAR
145	24.50	24.50	0	0
150	19.50	19.50	0	0
155	14.50	14.50	0	0.02
160	9.50	9.50	0	0.22
165	4.50	4.60	0	1.09
170	0.34	1.82	0.88	3.31
175	0	0.51	5.55	7.00
180	0	0.10	10.54	11.59

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 85 Puts 1

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
9075	0.95	0.98	0	0.04
9100	0.70	0.76	0	0.07
9125	0.46	0.56	0.01	0.12
9150	0.23	0.38	0.03	0.19
9175	0.07	0.24	0.12	0.30
9200	0.02	0.14	0.32	0.45
9225	0.01	0.08	0.56	0.64
9250	0	0.04	0.80	0.85

Estimated volume total, Calls 150 Puts 0
Previous day's open int. Calls 6006 Puts 7913

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
8400	0.92	1.29	0.01	0.06
8425	0.68	1.07	0.02	0.09
8450	0.46	0.87	0.05	0.14
8475	0.25	0.68	0.09	0.20
8500	0.08	0.51	0.17	0.28
8525	0.04	0.36	0.38	0.38
8550	0.02	0.25	0.61	0.52
8575	0.01	0.17	0.85	0.69

Estimated volume total, Calls 1289 Puts 2719
Previous day's open int. Calls 56890 Puts 29797

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Mar	87-12	87-28	87-12	87-16
Jun	88-12	88-23	88-23	88-17
Sep				

Estimated volume 22406 (23308)
Previous day's open int. 39601 (41044)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar	94-15	94-21	94-08	94-09
Jun	94-11			94-04
Sep				

Estimated volume 2349 (3842)
Previous day's open int. 5946 (5750)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	83.18	83.90	82.67	83.39
Jun	83.05	83.60	82.60	83.30
Sep	83.30			83.55

Estimated volume 65610 (64499)
Previous day's open int. 54684 (54601)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Mar	95.99	96.01	95.90	96.50
Jun	95.82	95.98	95.70	96.50

Estimated volume [illegible]
Previous day's open int. [illegible]

THREE MONTH STERLING
£500,000 points of 100%

[illegible]

THREE MONTH EURODOLLAR
$1m points of 100%

[illegible]

THREE MONTH EUROMARK
DM 1m points of 100%

[illegible]

THREE MONTH ECU
ECU 1m points of 100%

[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	[illegible]	[illegible]	[illegible]	2292.0
Jun	[illegible]	[illegible]	[illegible]	2335.5
Sep	[illegible]	[illegible]	[illegible]	2381.8

Estimated volume [illegible]
Previous day's open int. [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6965	1.6879	1.6700	1.6442	1.6010

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Mar	1.6860	1.6872	1.6838	1.6786
Jun	1.6600	1.6610	1.6580	1.6520
Sep	1.6350	1.6350	1.6350	1.6276

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Mar	94-12	94-24	94-08	94-14
Jun	94-08	94-19	94-05	94-10
Sep	94-01	94-11	93-31	94-04
Dec	93-25	94-02	93-25	93-28
Mar	93-16	93-23	93-16	93-19
Jun	-	-	-	93-08
Sep	-	-	-	92-31
Dec	-	-	-	92-25
Mar	-	-	-	92-16
Jun	-	-	-	92-09
Sep	-	-	-	92-02

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	92.54	92.55	92.53	92.54
Jun	92.74	92.77	92.73	92.76
Sep	92.78	92.78	92.77	92.77
Dec	-	-	-	92.55
Mar	-	-	-	92.53

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.6701	0.6705	0.6681	0.6664
Jun	0.6676	0.6679	0.6656	0.6639
Sep	0.6660	0.6660	0.6660	0.6623
Dec	-	-	-	0.6626

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

[illegible]

Previous day's open int: [illegible]
Previous day's volume: [illegible]

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	39,652
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23,926
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,466
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,052

Estimated volume 77,540 Total Open interest 92,096

OPTION ON LONG-TERM FRENCH BOND (MATIF)

[illegible]

THREE-MONTH PIBOR FUTURES (MATIF)
(Paris Interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	88.82	88.69	-0.07	88.82	88.68	11.31	4,954
September	88.96	88.79	-0.11	88.96	88.75	11.21	2,922
December	89.08	89.00	-0.05	89.08	89.00	11.00	266

Estimated volume 8,705 Total Open interest 18,731

CAC-40 FUTURES (MATIF)
Stock index

	Open	Close	Change	High	Low	Open int.
February	1861.0	1852.0	+4.0	1861.0	1841.0	5,361
March	1858.0	1853.0	+7.8	1858.0	1841.0	1,279
April	1859.0	1855.0	+6.0	1859.0	1846.0	222
June	-	-	-	-	-	37

Estimated volume 5,819 Total Open interest 6,899

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Mar	0.6935	0.6937	0.6928	0.6937
Jun	0.6948	0.6952	0.6946	0.6955
Sep	0.6963	0.6968	0.6963	0.6976

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Mar	0.5990	0.5994	0.5976	0.5958
Jun	0.5982	0.5982	0.5967	0.5949
Sep	0.5968	0.5968	0.5968	0.5940

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	91.70	91.71	91.69	91.69
Jun	91.68	91.69	91.65	91.67
Sep	91.59	91.60	91.58	91.59
Dec	91.38	91.41	91.38	91.39
Mar	91.31	91.33	91.31	91.32
Jun	91.22	91.23	91.21	91.23
Sep	91.18	91.20	91.17	91.19
Dec	91.11	91.13	91.11	91.13

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar	332.90	333.35	332.10	332.65
Jun	336.85	337.15	336.10	336.55
Sep	340.45	341.20	340.45	340.75

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Robert Fraser & Ptns.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.N.East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKETS

London rates steady

INTEREST RATES finished virtually unchanged in London yesterday with three-month interbank steady at 15⅛-15⅛ per cent. News that Abbey National had raised its rate for UK home loans by 0.9 per cent to 15.4 per cent increased inflationary fears. A general rise in mortgage rates is expected, but is unlikely to alter the prospects for bank base rates.

UK clearing bank base lending rate 15 per cent from October 5

Higher mortgage rates will push the UK retail price index up in the short term.

This led to a weakening of short sterling futures on Liffe. In early trading short sterling was buoyed by the strong performance of the pound against the dollar and D-Mark. June delivery opened higher at 85.35, but then fell back to close at the day's low of 85.23, on the Abbey National move, against 85.31 on Tuesday.

Credit conditions in London continued to improve. The Bank of England initially forecast a small day-to-day shortage of £100m, but revised this to £150m at noon, and to £200m in the afternoon. Total help of £69m was given.

The authorities did not operate in the market before lunch, but in the afternoon bought £44m bills outright, by way of £10m Treasury bills in band 2 at 14⅞ per cent and £34m bank bills in band 2 at 14⅞ per cent. Late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £131m, with a rise in the note circulation absorbing £120m, and bank balances below target £145m. These outweighed Exchequer transactions adding £290m to liquidity.

In Frankfurt dealers hoping for an allocation of extra funds, at this week's securities repurchase agreement tender, were disappointed. The Bundesbank accepted bids of DM10bn for 28-day funds, and of DM6.5bn for 63-day money. This total of DM16.5bn failed to fully offset DM17.8bn draining from the banking system as two earlier pacts expired.

Speculation about higher interest rates was reflected in the rates paid at the tender, although the Bundesbank is not expected to raise official rates at today's council meeting.

Banks paid 7.80-8.10 per cent for the 28-day agreement, compared with 7.70 to 7.95 at the previous tender. Rates of 7.95 to 8.25 per cent were paid for 63-day funds, against 7.70 to 8.00 previously.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.14) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¾
Fed funds	8⅛
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	7.68	Three year	8.22
Two month	7.88	Four year	8.27
Three month	7.84	Five year	8.32
Six month	7.99	Seven year	[illegible]
One year	7.99	10-year	8.34
Two year	8.21	30-year	8.40

Feb.14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.85	7.45-7.60	7.95-8.10	8.20-8.40	8.65-8.75	8.00
Paris	10⅛-10½	10⅛-10⅛	-	11-11⅛	-	9.50
Zurich	8⅞-8⅝	9⅛-9⅞	-	9⅛-9⅞	-	-
Amsterdam	8.55-8.65	8.95-9.05	-	9.05-9.15	-	-
Tokyo	6⅞-6⅞	6⅞-6⅞	-	6⅞-7⅛	-	-
Milan	12⅞-13	13¼-13⅞	-	13¼-13⅞	-	-
Brussels	6.45	10⅞-10½	-	10⅞-10⅞	-	-
Dublin	11⅛-11⅞	11⅛-11⅞	11⅞-12	12-12⅛	11⅞-12	-

LONDON MONEY RATES

Feb 14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅛	14⅞	15⅛	15⅛	15⅛	15⅛
Interbank Bid	14	14½	14⅞	15⅛	15⅛	15
Sterling CDs.	-	-	15	15⅛	15⅛	15⅛
Local Authority Deps.	14⅛	14⅝	14⅞	15	15⅛	15
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	14⅞	14⅞	14⅝	-	-
Company Deposits	-	-	15	15⅛	15⅛	15⅛
Finance House Deposits	-	-	15	15⅛	15⅛	15⅛
Treasury Bills (Buy)	-	-	14⅞	14⅛	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	14⅞	14⅞	-
Dollar CDs.	-	-	8.25	8.25	8.27	8.42
SDR Linked Dep. Offer	-	-	9	9⅛	9⅛	9½
SDR Linked Dep. Bid	-	-	8⅞	9⅛	9⅛	9⅛
ECU Linked Dep. Offer	-	-	10⅞	11⅛	11⅛	11⅞
ECU Linked Dep. Bid	-	-	10⅞	11⅛	11⅛	11½

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell); one-month 14⅞ per cent; three months 14½ per cent; Treasury Bills; Average tender rate of discount 14.4955 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January,31 ,1990 . Agreed rates for period Februay,26 1990 to March,25 , 1990, Scheme I: 15.89 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Dec.30,1989 to January,31 . 1990. Scheme IV&V: 15.199 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from February 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.

CROSSWORD

No.7,165 Set by GRIFFIN

ACROSS
1 Palmists say cashiers are after a lot of money (7,7)
10 Bird on a pole is worth 25p (5)
11 Repeating it on irate broadcast (9)
12 Bank tiny amount including sovereign (7)
13 Against fighting in that new building (7)
14 In company you use ruddy Latin, I believe? (5)
16 Add fictitious details making bride more uneasy (9)
19 One obeying doctor's orders? (9)
20 Support for artist after the rest left (5)
22 When it's a tiny bit less soft, object (7)
25 A growing source of modesty? (3-4)
27 She can't sleep in Simon's woolly, Bill! (9)
28 Follow union leader seen staggering around (5)
29 Let Ann send cart round for superior (14)

DOWN
2 Not humming? (9)
3 On reaching middle age, volunteers go round here (5)
4 Quiet isle one's not right to take vessel to (9)
5 He races around with a Greek character (5)
6 A little unwilling to go on top rank (9)
7 Elizabeth said "I see a girl" (5)
8 Nurse raised duty list with statesman (7)
9 Backing accountant and others I packed in producing vinegar (6)
15 Defeats injuries to move score (9)
17 Shameless bachelor looking angry about impudence (9)
18 Sipped, say, to shift indigestion (9)
19 Attack, rising first, someone like Pepys (7)
21 Stole note paper (pink) before taking cover outside (6)
23 Something useful turned up for her (5)
24 Pick French sleeping accommodation in Central Greece (5)
26 Inexperienced engineers inserted information (5)

Solution to Puzzle No.7,164

CHAMPERS SPAVIN
AEGIS CONUNDRUM
DALLIANCE IDEAL
DINGHY DISMISS
ATHLETE ELAPSE
WREST SOFTPEDAL
RACONTEUR NOOSE
SOLVER NEUROSIS

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

ITALY (continued)
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

JAPAN
[illegible]

AUSTRALIA
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
4pm prices February 14

[illegible]

... Total Sales 10,128,100 shares.

MONTREAL
4pm prices February 14

[illegible]

INDICES

NEW YORK

DOW JONES	Feb 14	Feb 13	Feb 12	Feb 9	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2624.32	2624.10	2619.14	2648.20	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	91.36	91.49	91.32	91.27	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1083.21	1084.10	1075.75	1088.19	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	222.21	222.40	221.45	223.91	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2643.69 (2639.19) Low 2606.11 (2592.57)

STANDARD AND POOR'S	Feb 14	Feb 13	Feb 12	Feb 9	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	332.01	331.02	330.08	333.62	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	383.13	382.31	381.28	385.57	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	28.05	27.81	27.74	27.93	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	183.21	182.85	182.55	184.39	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	358.78	358.45	358.87	360.79	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	426.56	425.75	426.38	428.84	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Feb 9	Feb 2	Jan 26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.16	4.20	3.63

	Feb 7	Jan 31	Jan 24	year ago (approx.)
S & P Industrial div. yield	3.09	3.13	3.11	3.04
S & P Indl. P/E ratio	14.23	14.04	14.09	13.85

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Fleming	2,705,700	30⅛	– ⅛
Com. Edi	2,667,700	49⅝	+ ⅛
Western Union	2,471,400	¾	– ¾
Gt Nthn Nekoosa	2,398,000	64	+ 2
Global Mar	2,371,500	5⅛	+ ⅛
First Interstate	1,924,200	34⅞	+ 2
Chase Manhattan	1,598,700	27½	+ ½
IBM	1,501,700	103¾	+ ½
Philip Morris	1,482,800	39⅝	+ ⅝
Citicorp	1,458,600	23½	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Feb 14	Feb 13	Feb 12
New York	139.458	144.440	118.390
Amex	9.433	10.035	8.210
NASDAQ	(u)	127.225	113.032
Issues Traded	1,941	1,962	1,953
Rises	740	678	466
Falls	684	793	1,049
Unchanged	517	491	438
New Highs	23	16	15
New Lows	70	90	77

CANADA

TORONTO	Feb 14	Feb 13	Feb 12	Feb 9	1989/90 HIGH	1989/90 LOW
Metals & Minerals	2972.35	2947.19	2933.48	2978.93	3919.2 (1/9/89)	2933.48 (12/2/90)
Composite	3750.38	3751.86	3766.27	3777.78	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1899.14	1897.74	1899.14	1909.96	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 14	Feb 13	Feb 12	Feb 9	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1636.6	1628.2	1623.4	1630.6	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	838.4	834.9	828.8	833.0	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	622.32	624.15	627.60	631.38	631.38 (9/2/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	5800.06	5850.67	6019.81	6100.82	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	372.50	371.64	373.17	376.21	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	656.7	659.8	662.6	665.4	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	507.32	509.45	518.20	522.39	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1853.99	1845.43	1867.40	1898.25	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	769.05	776.47	771.28	791.04	807.13 (5/2/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2250.6	2273.9	2261.7	2319.9	2370.8 (6/2/90)	1595.7 (27/2/89)
DAX (30/12/87)	1832.23	1840.98	1860.39	1885.89	1939.43 (5/2/90)	1271.78 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2870.43	2863.55	2894.66	2893.90	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1821.78	1828.56	1848.98	1848.78	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	663.86	666.55	665.94	671.82	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37155.89	37107.03	(c)	37280.14	38915.87 (29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2723.30	2722.35	(c)	2734.17	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4254.68	4273.95	(c)	4284.68	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	606.89	610.92	609.06	605.79	611.97 (7/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	249.3	249.3	248.8	252.1	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	191.2	191.3	190.8	193.4	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	798.08	795.37	797.32	803.41	810.32 (8/2/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1059.07	1056.10	1047.94	1040.06	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	436.73	438.75	442.04	438.82	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	1921.0	2029.0	2090.0	2172.0	2254.0 (12/12/89)	1281.0 (15/2/89)
JSE Industrial (28/9/78)	3051.0	3135.0	3150.0	3178.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	872.63	866.57	867.05	879.10	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	282.60	283.34	285.47	286.52	328.95 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	(u)	(u)	(u)	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	767.3	767.2	768.4	773.2	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	12231.91	12126.96	12404.53	12417.47	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	794.73	795.12	801.95	805.39	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	537.6	539.3	541.5	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Feb. 10: Taiwan Weighted Price 12495.34 Korea Comp Ex. 873.59

& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks
Wednesday February 14 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	14.9m	1,180	-10	NKK	5.0m	664	-6
Sharp	11.6m	1,690	+30	Kyokuyo	4.5m	1,800	+60
Hitachi	8.4m	1,540	+30	Fujitsu	4.2m	1,540	0
Nippon Steel	8.2m	704	-1	Max	3.8m	3,100	+330
Tokyo Steel	6.2m	5,850	+40	Kawasaki Steel	3.5m	785	+4

4pm prices February 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
37½	24¾	AAR	.48	1.6	18	373	30⅝	30¼	30½	+ ⅛
9¼	8½	ACM n	1.26	14.		282	9¼	9⅛	9⅛	
11⅝	10½	ACMIn	1.28	11.		613	11⅛	11	11⅛	
9⅞	8	ACM M	n1.01	12.		519	8¼	8	8¼	
12⅛	11½	ACMMM				742	11⅝	11½	11⅝	+ ⅛
11½	10	ACM Sc	1.26	11.		1161	11¼	11	11¼	
9⅝	8⅞	ACMSp	1.01	11.		653	9⅜	9¼	9¼	+ ⅛
19⅜	11½	AL Lab	.16	.9	19	65	18¾	18½	18¾	
4½	3¼	AMCA	.12e	3.6	6	4	3⅜	3⅜	3⅜	
6⅛	3⅜	AM Ind			8	257	3⅝	3⅜	3⅜	
23½	16⅝	AM In pf	2	12.		32	17½	17¼	17¼	− ⅛
107¼	52½	AMR			6	3543	55⅜	54⅜	55	+ ⅝
5½	3⅛	ARX				125	3⅜	3¼	3⅜	
72¾	39	ASA	3a	5.1		9035	59⅞	55¾	59	−2¼
70⅞	46⅛	AbtLab	1.40	2.2	17	3602	65	64¼	64⅞	+ ½
17¾	11¾	AbitiBl	g .50			2	12¾	12¾	12¾	
13	8⅞	AcmeC	.40	4.4	10	46	9⅛	8⅞	9	+ ⅛
9¾	6	AcmeE	.32	3.6	11	19	8⅞	8⅞	8⅞	
38½	25½	Acuson			22	518	32⅞	32⅜	32⅝	+ ¼
16½	12⅞	AdaEx	2.06e	13.		96	15½	15⅜	15⅜	
15⅝	7¼	Adobe				190	13¼	13	13	− ⅛
20¾	16⅞	Adob pf	1.84	9.7		30	19	19	19	
21⅝	19⅞	Adob pf	2.40	11.		11	21	21	21	
10½	6⅞	AMD			5	421	7¼	7⅛	7⅛	
35	28⅝	AMD pf	3	10.		6	30¼	30⅛	30¼	
10⅛	5⅞	Advest	.[illegible]	2.7	8	139	6	5⅞	6	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
66⅞	47⅞	QuakrO	1.40	2.9	19	1533	48½	48¼	48¼	- ¼
18¾	12⅛	QuakSC	.80	6.6	28	203	12½	12¼	12⅜	+ ⅛
19	11½	Quanex	.40	3.1	6	146	13⅛	12⅞	13	- ⅛
29¼	20¼	Quantum			2	1274	22⅞	22¼	22½	- ¼
13½	11	QstVl	1.20a	9.2		x129	13	12¾	13	+ ¼
14⅝	9⅛	QstVC				250	13⅞	13⅛	13½	- ¼
39¾	31½	Questar	1.52	6.7	15	14	37⅜	37⅜	37⅜	- ⅛
16¾	11⅞	QkReily	.28a	2.3	10	82	12¼	12⅛	12⅛	+ ⅛
		– R–R–R –								
11⅞	9⅞	RAC Inl	.20a	11.		418	10⅝	10½	10⅝	- ⅛
6⅞	1⅝	RAC	.45e	15.		300	141	3¼	3	3
10⅞	6⅞	RLI Cp	.40	4.0	7	72	10¼	10	10⅛	- ⅛
19¼	11¼	RCG Fd	.38e	2.6		410	15⅛	14⅞	15	+ ⅛
8¼	5¼	RPC			16	28	6½	6¼	6⅜	- ⅛
8½	5⅜	RPS	.81e	14.	9	660	6¼	6	6	- ⅛
65¼	43⅞	Racal	.26e	.4	43	802	65⅛	64	64⅞	+ ¼
5⅞	2½	Radice n				4	2⅝	2⅝	2⅝	- ⅛
101½	77⅞	RalsPur	1.80	2.3	15	738	80¼	79⅝	79⅞	- ⅛
8⅝	5⅛	RangrO			28	2273	6	5⅞	5⅞	
39¼	25¼	Raycm	.32	1.2	35	486	28	27⅝	27½	- ¼
19⅛	13¼	RJamF	.24	1.5	8	7	16⅜	16¼	16⅜	+ ⅛
24	18	Rayonr	3.88	16.	7	2867	u25¼	24	24¾	+ 1¼
3⅞	⅞	vjRaytc				7	2⅛	2⅛	2⅛	
85	60	Raythn	2.20	3.6	8	734	61¼	60⅝	61	+ ¼
6	15-16	RdgB n				473	2⅞	2⅛	2⅞	
17	14⅛	REIT	1.36	9.5	10	30	14½	14¼	14½	+ ⅛
16⅛	13½	RltRef	1.22	12.	9	28	14⅝	14⅜	14⅜	+ ⅛
12⅞	6½	RecnEq				37	6⅞	6⅞	6⅛	
20	11⅞	Reebok	.30	1.8	11	2229	16⅝	16¼	16⅝	+ ⅛
18	6⅞	Reece	.15e	1.7	44	2	8⅞	8⅞	8⅞	+ ⅛
½	7-64	Regal				28	13-32	⅜	13-32	+ 1-32
9¾	6½	ReglFn	.29a	3.8		284	8¼	8⅛	8⅛	
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

AMEX COMPOSITE PRICES

4pm prices February 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices February 14

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
WlvEx h			273	12⅞	12⅝	12¾	- ⅛
Worthg	.58	16	232	21½	20⅞	20⅞	- ⅝
Wyman	.60		134	13¾	13¼	13¾	+ ⅛
		–X–Y–Z–					
XL Dta s		4	949	7⅛	6⅝	7⅛	+ ½
XOMA			1535	20⅞	20¼	20⅞	
Xicor		144	281	3	2⅞	2⅞	
Xyvsn			42	25-16	2¼	25-16	+ 1-16
YanEnS	.76e	13	12	21½	20¾	20¾	- ⅞
YelowF	.76	37	1343	24⅝	23⅞	24¼	+ ⅞
YorkRs		19	209	10⅞	10⅛	10⅛	- ⅛
ZionUt	1.44	11	2	25½	25½	25½	

AMERICA

Caution reigns in subdued session

Wall Street

A QUIET day on Wall Street saw equities trading in a narrowly mixed range as traders remained cautious after the bankruptcy protection filing by Drexel Burnham Lambert, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average closed up 0.22 at 2,624.32, against a gain on Tuesday of 4.96 to 2,624.10. Volume on the New York Stock Exchange was moderate, with 92m shares changing hands.

Of the other market indices, only the Standard & Poor's 500 *posted gains throughout the* day, closing up 0.99 to 332.01. The New York Stock Exchange *Composite fell 0.36 to 183.21* and the American Exchange Composite lost 0.33 to 358.78.

The stock market's decline came on the back of weaker prices for government bonds, following the news that Drexel Burnham Lambert had filed for bankruptcy protection. The Treasury's bellwether 30-year bond slipped ⅜ to yield 8.39 per cent.

Equities started the day on a *stronger note, with the Dow* gaining about 15 points in the morning with support from increased buying in the technology sector, especially in International Business Machines. IBM gained $⅛ to $103¾ in active trading. The January high for IBM shares was $101⅞.

A number of other technology stocks rose yesterday morning. Compaq Computer gained $1¼ to $87⅞, Cray Research rose $⅜ to $46⅛, Hewlett-Packard was up $⅜ to $46⅞.

Several blue chip issues posted gains in morning trading before falling later. American Telephone & Telegraph was unchanged at $40, Coca-Cola, rose $⅛ to $67⅛. Procter *& Gamble was up $⅛ to $65⅞,* and Boeing added $1⅞ to $63⅛.

First Interstate Bankcorp was one of the most active issues on the New York Stock Exchange throughout the day. Shares in the company jumped $2 to $34⅞ following an offering of 7.5m common share at $33 apiece. An affiliate of Kohlberg, Kravis, Roberts will buy 3.38m of the shares and will hold a 10 per cent stake in First Interstate.

Great Northern Nekoosa gained $2 to $64 in active trading. Late on Tuesday the company authorised Goldman Sachs to solicit higher takeover bids. Georgia-Pacific has offered $63-a-share for the company.

UAL, parent of United Air Lines, slid $2⅞ to $131⅝ after reports that the company's chairman, Mr Stephen Wolf, was unlikely to be a potential participant in an employee buy-out of the United Airlines unit.

ASA, which invests in South Africa stocks, dropped $2¼ to $59, after plunging more than *$4 earlier in the day.* The decline reflected continued selling of South African Gold Stocks.

A number of other precious metals issues also moved lower, including Homestake Mining, down $⅛ to $22¼. Battle Mountain Gold, off $⅛ to $17 and Newmont Gold, which lost $⅛ to $56⅞.

DeSoto gained $1¼ to $40⅞, after the company's board said DeSoto should pursue a $50-a-share takeover bid by Sutton Holdings.

Among other features stocks, Centrebank rose $¼ to $8⅛ on reports that interstate banking is likely to be approved by the Connecticut legislature sooner than expected.

Thomson McKinnon Asset Management plunged $1 to $4⅞ after a report that the partnership's share price was not low enough to attract an outside buyer.

Canada

SHARE prices showed little movement during the Toronto *session, with the 300 composite* index closing down 1.48 to 3,750.38, with falls outnumber*ing advances 355 to 287.* The volume of 22,764,000 shares was down from Tuesday's 26,672,000 *shares. Trading value also fell* to C$238.6m from C$322.8m.

Among metal producers, Noranda rose C$⅛ to C$21⅞ and Alcan climbed C$⅛ to C$23⅞.

Maple Leaf Gardens gained C$2 to C$43¼ in thin trading. An Ontario court has found company president and chief executive Harold Ballard incompetent of managing his affairs.

German interest enlivens Europe

Simon Greaves analyses a set of strong turnover figures for January

THE record-breaking run by West Germany generated *stock exchange* turnover worth DM224bn in January, while activity improved in most other European countries with the exception of France.

West Germany's turnover total was a 43 per cent improvement on the December level, two-and-a-half times the level in the same month in 1989 and easily the busiest month on record for the country's eight stock markets.

The prospect of German reunification after the breaching of the Berlin Wall in November and the collapse of Communism in eastern Europe were enough to tempt many *local investors* into the market for the first time since the worldwide October mini-crash.

Renewed *domestic interest* coincided with sustained buying pressure from overseas *individuals and institutions*, eager to establish footholds at the gateway to the East.

Mr James Cornish of County NatWest WoodMac says: "West Germany saw a very rapid day-by-day rise at the beginning of January, then, after the first 10 days of the month, it *moved* back to more normal levels. "We then had another enormous pick-up in turnover *at the end of the month.* There were two sharp surges which both coincided with foreign buying interest, particularly from Japan, but also from the *UK and the US.*"

Japanese buyers concentrated on well-known stocks *such as Siemens, Volkswagen* or Deutsche Bank.

The emergence of political instability in the *Soviet Union* and doubt about the future of President Mikhail Gorbachev's leadership only trimmed share prices marginally.

Mr Jens Wiecking, a director *of Merck Finck*, the West German private bank, says that from the middle of December volume was swelled by heavy demand for blue chip stocks *and* warrants. "This was followed by a period in which there were large increases in *both trading levels and volatility.*"

Germany gained as institutions reduced *holdings* in France, *which* was the only European country in which volume shrank during January. Investors in France were preoccupied by interest rate worries.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Jan 1990	Dec 1989	Nov 1989	Oct 1989	Sep 1989
Belgium	83.97	58.7	70.0	89.6	85.2
France	129.1	131.7	96.4	174.8	145.8
Germany	224.4	157.1	110.9	104.6	104.5
Italy	21,228	13,640	13,260	20,010	21,800
Netherlands	18.3	10.6	16.1	19.2	16.6
Spain	497	443.4	419	522.0	605.0
Switzerland	20.4	15.4	16.6	20.8	20.5
UK	30.7	27.1	26.2	32.2	32.5

Volumes represent purchases and sales. Swiss and Belgian data estimated. *Italian data adjusted to include off-market trading. Some figures may be revised.*
Source: County NatWest WoodMac

THE intensifying interest in West Germany spilled over into neighbouring markets such as Swit*zerland, the Netherlands* and Belgium. Activity in the Netherlands, particularly among *local investors*, was also boosted by selling last month as the market reeled, after a series of disappointing statements from leading companies, while fixed interest investments became more attractive. Turnover recovered almost to the level of the busier months of last year.

Italy found encouragement in better trade figures, and returned to last autumn's respectable levels. Turnover in January was more than 55 per cent up on the December total. One analyst said: "There was *quite a lot of interest* from foreigners coming into the market in January, although this has *dissipated recently.*"

EUROPE

Perrier and GBL retreat further in active trading

SOURCE PERRIER and Groupe Bruxelles Lambert dominated trading in France and Belgium, as share prices of both continued to slide, *writes Our Markets Staff.*

PARIS watched Perrier's share price plummet again, before a late rally. However, news that the company was *withdrawing its mineral water* stocks worldwide, which it said would cost it about FFr400m *before tax, came after the market* had closed.

The market had a nervous day, as worries *about higher* interest rates persisted, but shares managed to close slightly higher. The CAC 40 index rose 8.56 to 1,853.99 in mediocre turnover of about FFr2.5bn.

Perrier trimmed an early 9 per cent fall to 4 per cent, or FFr60 to FFr1,413 at the close, a decline of 16.5 per cent so far this week. *Trading in the issue* was active, with 269,125 shares exchanged. The company's West *German distributor said* yesterday that it had found traces of benzene in Perrier water, following similar discoveries in the US at the weekend.

Eurotunnel retreated by FFr3.55, or 6 per cent to FFr56.10 on talk of financing difficulties. L'Oréal dropped FFr164 to FFr4,480 on market disappointment with its sales figures. "At the moment, the market will pounce on anything that looks slightly disap*pointing, and mark it down* savagely," said one observer.

Pechiney, the metals group, *gained FF7.40, or 5 per cent, to* FFr153.40 after reporting good turnover figures.

BRUSSELS again finished lower, with Groupe Bruxelles Lambert, the holding company, down a further 3.2 per cent after announcing that it would write off entirely *its* 20 per cent stake in Drexel Burnham Lambert, the troubled US securities group, at a cost of BFr3.2bn.

The cash market index ended down 50.01 points lower at 5,800.06 after its 2.9 per cent fall on Tuesday. Trading in GBL was a relatively heavy 28,250 shares as it lost BFr130 to BFr3,940.

FRANKFURT drifted down after a positive start, and the DAX index eased 8.75 to 1,832.23, following a 7.42 fall to 769.05 in the FAZ at midsession. Turnover slipped from DM7.7bn to DM6.5bn.

Sentiment was dampened by continued uncertainty about the ramifications of monetary union between East and West Germany, and foreign investors were reluctant to take positions before today's Bundesbank meeting.

"Many people are now *resigned to the fact that* German interest rates are going up and there is a great deal of uncertainty and nervousness around," an analyst said.

The banking sector again came under pressure because of interest rate and bond market worries. Deutsche Bank closed DM8 lower at DM795.50.

Automotive companies were mixed, but BMW again moved against the trend on several large buy orders from Japanese investors, closing DM4.50 higher at DM628.50.

MILAN fell in moderate trad*ing on the last day of the* February account, with the Comit index down 2.69 at 663.86.

Declines were marked in the chemical sector, with Montedison losing L20 to L1,891, falling to L1,878 after the close. Enimont fell L11 to L1,479 after Wednesday's shareholders' meeting on long-term strategy was adjourned early, pending a meeting with the Italian Premier, Mr Giulio Andreotti.

Stet, the telecommunications *group, gained L63 to L4,983 on* renewed discussions with the Government over the reform of the telecommunications sector.

Benetton, the clothing retailer, rose L79 to L8,480 in the wake of Monday's news that it was pulling out of most financial services.

AMSTERDAM ended *mixed*, with the market still plagued by interest rate worries. The CBS tendency index closed unchanged at 108.7.

Van Ommeren Ceteco, the shipping, transport and trading group, was buoyed by continued takeover talk. It added Fl 1.80 to Fl 40.70.

A strike at two Dutch brewing units affected Heineken, down Fl 2.80 at Fl 105.20.

ZURICH eased in light vol*ume, after a small rise in early* trading. The Crédit Suisse index lost 1.0 to 609.9.

Union Bank's bearers gained SFr55 to SFr3,955 and its certificates added SFr5 to SFr146 on speculation over dividend prospects, and its policy on voting rights.

Pargesa bearers lost a further SFr145 to SFr1,610. It said *that its 25 per cent stake in* Lambert Brussels Associates, which in turn holds about 35 per *cent of Drexel Burnham* Lambert, was too small to affect Pargesa's performance.

OSLO closed mostly higher, boosted by rises in markets abroad. The all-share index rose 2.64 to finish at 606.81.

However, bank prices slid after Bergen Bank and Den norske Creditbank revised upwards their expected 1989 loan losses by NKr360m to NKr3.26bn. The move indicates that the entire banking sector *may be weaker than expected.* Bergen lost NKr7 to NKr187 and DnC fell NKr2 to NKr93.

STOCKHOLM closed *mixed* in thin trading. Investors remained concerned about the *unstable political situation,* which may lead to the Government's resignation.

The Affärsvärlden General index fell 5.5 to 1,188.5 on turnover of SKr152m.

MADRID weakened after the previous day's news of a 1 per cent rise in the January consumer price index and following declines in foreign markets. The general stock index fell 0.74 to 282.60.

SOUTH AFRICA

THE JOHANNESBURG market plunged, with the JSE Gold index falling 108 to 1,921 while the Industrial index *slid* to 3,051, a fall of 84.

Foreign investors continued to sell stock amid concern over Mr Nelson Mandela's hard-line stance on talks with the South African Government and the issue of nationalisation.

Gold shares continued to slide. Vaal Reefs fell R21 to R379 and Deelkraal lost R2 to R16.50. Diamond share De Beers fell R2.85 to R63.5. In industrials, Barlows fell R2.75 to R47 and S.A. Breweries shed R1.50 to R36.

ASIA PACIFIC

Prices slide as investors take fast profits

Tokyo

REPORTS that Drexel Burnham Lambert was considering Chapter 11 bankruptcy protection in the US put a further dampener on Japanese investor sentiment yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average opened slightly higher, drifted lower by the afternoon, and rose again on a late bout of index-linked buying to end with a modest gain of 48.86 at 37,155.89. During the day it *moved within a narrow range* from a high of 37,183.26 to a low of 37,018.25.

Volume improved from Tuesday's 297m shares to 375m, the Topix index of all listed stocks saw a marginal gain of 0.97 to 2,723.30 and, in London, the ISE/Nikkei 50 index rose 5.06 to 2,010.3.

Stability on the currency front joined index-linked buying to form the main supports of the day, but in an uncertain market environment investors largely chose to take their profits fast; it was small-lot selling *which took prices lower in the* afternoon.

Although the news about *Drexel Burnham Lambert had* no direct effect on the market, it did trigger a downturn in bonds, which washed through into equity sentiment.

"Investors need some incentive to encourage them back into the market," said an analyst at Sanyo Securities. An election poll coming out today, and the run-up to company results due in March could provide that incentive, he added.

Some interest in electricals emerged, *four appearing on the* top volumes list. Toshiba led with 14.9m shares but closed *Y10 lower at Y1,180. However,* it was pursued during the day and reached a high of Y1,210, *up Y20. Sharp* followed with a turnover of 11.6m shares and fared better, climbing Y30 to *Y1,890.*

Akai Electric, specialising in audio equipment and video cassette recorders, advanced to an all-time high of Y1,070, up Y50, during the day. Akai has been making losses, but in addition it has been reconstructing its business under the direction of Mitusibishi Electric, a significant shareholder. The company is expected to eliminate its recurring *loss in 1989/90 for the first time* in six years. Investors were also attracted by rumours of speculators looking into the issue. Akai closed Y10 higher at Y1,030.

Issues with good earnings and low price/earnings ratios were popular. Tokyo Steel, the electric furnace steel maker, has become representative of such issues. It firmed Y40 to Y5,650 as investors anticipated the scrip issue planned for the *end of March.*

Max, an office equipment manufacturer specialising in *nailers and staplers, surged* Y330 to Y3,100 in active trading. It was favoured for a likely *10.5* per cent rise in recurring profits in the year to March. Max also has a relatively low p/e ratio.

Activity in Osaka picked up on interest in high-tech electricals. But buying in that area was not enough to overcome selling pressure elsewhere, and the OSE average ended 131.86 lower at 38,406.31. Volume was 47.4m shares, up from the 34.9m traded on Tuesday.

Roundup

MOST REGIONAL markets moved higher, with Australia regaining some confidence after its recent weak spell.

AUSTRALIA rose for a second day, as a weak local dollar and hopes of lower interest rates encouraged investors. The All Ordinaries index closed at its day's high of 1,636.7, up 8.5. Active trading *in bank shares boosted volume* to 111m shares worth A$225m, compared with Tuesday's 91m *and A$171m.*

In the banking sector, National Australia rose 4 cents to A$6.56 with 3.04m shares traded, including a special sale of 2.5m shares, and Westpac eased 6 cents to A$5.64 on volume of 3.5m shares, including one block of 3m shares.

News Corp, which reports *interim results today, rose for* a second session, picking up 40 cents to A$10.55. By Monday's close, the stock had fallen 32 per cent from its year's high. Adelaide Steamship also continued to recover after announcing results on Tuesday, adding 8 cents to A$5.30.

Bougainville Copper dropped 5 cents, or 4 per cent, to A$1.20 after reporting a loss on Tuesday and warning that the costs of reopening its Papua New Guinea mine, which has been closed by violence since May, would be high, while a failure *to resume mining* there would significantly reduce the value of its assets.

NEW ZEALAND welcomed profits figures from Fletcher Challenge, the country's biggest company, but share prices finished off their day's highs.

The Barclays Index ended at 1,879.41, up 7.05, after rising about 20 points earlier. Fletcher Challenge, which said first-half profit had risen 9 per *cent, rose 8 cents to NZ$4.23.*

HONG KONG edged higher but turnover remained below *last week's levels. The Hang* Seng index added 6.88 to 2,870.43 on turnover of HK$868m, up from Tuesday's HK$780m.

Chinese Estates fell 27½ cents to HK$2.12½ after minority shareholders rejected Evergo's offer of HK$2.80 a share.

TAIWAN rose in moderately busy trading. The weighted index, which had fallen *297.57* on Tuesday, gained 104.95 to 12,231.91, recouping a decline of 188 points in the first hour of the session.

MANILA shares were mixed in fairly active volume, with interest focusing on Kuok Philippine Properties on its first day of trading. Kuok closed at 1.08 pesos, up from its float price of 1 peso, but below its opening price of 1.12 pesos. The composite index rose 2.97 to 1,059.07.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood *Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 14 1990						TUESDAY FEBRUARY 13 1990			DOLLAR INDEX		
Figures in parentheses *show number of stocks* per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	141.82	−0.8	123.94	126.78	+0.6	5.31	142.98	125.36	126.05	160.41	128.28	146.09
Austria (19)	248.27	+0.8	216.97	215.73	+0.2	1.23	246.22	215.87	215.36	248.58	92.84	96.89
Belgium (61)	139.52	+0.0	121.93	120.25	−0.6	4.63	139.58	122.38	120.99	160.02	125.58	136.68
Canada (120)	139.94	−0.5	122.29	122.31	+0.0	3.35	140.70	123.36	122.26	154.17	124.67	135.15
Denmark (36)	253.85	+1.0	221.85	222.61	+0.3	1.44	251.32	220.35	221.92	260.82	165.35	158.60
Finland (26)	150.06	+0.3	131.15	124.17	−0.2	2.39	149.63	131.19	124.43	158.16	118.63	146.43
France (125)	146.83	+0.6	128.32	130.94	+0.3	2.88	145.96	127.97	130.51	157.97	112.57	115.71
West Germany (96)	129.48	−0.6	113.15	112.61	−0.9	1.89	130.29	114.23	113.56	137.01	79.56	85.53
Hong Kong (48)	118.24	+0.3	103.33	118.54	+0.3	4.83	117.90	103.37	118.23	140.33	86.41	129.32
Ireland (17)	193.26	−0.3	168.90	171.86	−0.7	2.43	193.92	170.02	173.05	198.57	125.00	138.53
Italy (96)	95.52	−0.1	83.48	88.57	−0.5	2.59	95.66	83.87	89.00	102.11	74.97	80.05
Japan (455)	183.70	+0.1	160.54	167.50	+0.1	0.49	183.47	160.86	167.40	200.11	164.22	198.32
Malaysia (36)	241.28	−0.9	210.86	251.27	−0.9	2.11	243.41	213.41	253.54	243.87	143.35	156.55
Mexico (13)	373.84	+0.9	326.71	1116.27	+1.0	0.46	370.48	324.82	1105.02	373.84	153.32	161.61
Netherland (43)	137.14	+0.2	119.85	117.86	−0.1	4.56	136.82	119.96	117.97	145.66	110.63	113.04
New Zealand (18)	66.46	−1.4	58.08	60.61	+0.5	5.80	67.40	59.09	60.29	88.18	62.64	74.20
Norway (24)	237.61	+0.7	207.65	208.34	+0.4	1.37	235.96	206.88	207.46	241.53	139.92	159.13
Singapore (26)	195.26	+0.1	170.64	167.59	+0.0	1.74	195.10	171.05	167.68	199.38	124.57	140.81
South Africa (60)	203.72	−8.2	178.03	159.04	−4.5	3.60	221.99	194.63	166.47	251.39	115.35	124.59
Spain (43)	155.96	+0.6	136.29	127.78	+0.4	4.11	154.98	135.88	127.28	169.75	143.14	146.51
Sweden (35)	188.80	+0.3	164.99	171.19	+0.0	2.05	188.17	164.98	171.18	206.95	138.45	150.49
Switzerland (62)	96.15	+0.3	84.03	88.94	+0.0	2.02	95.83	84.02	88.91	99.12	67.81	77.25
United Kingdom (306)	158.92	+0.5	138.88	138.88	+0.2	4.56	158.09	138.61	138.61	164.31	133.28	151.59
USA (542)	134.35	+0.3	117.41	134.35	+0.3	3.53	133.97	117.46	133.97	146.29	112.13	119.79
Europe (989)	141.81	+0.2	123.93	123.99	−0.1	3.46	141.46	124.03	124.09	146.66	112.63	119.81
Nordic (121)	194.20	+0.6	169.72	166.07	+0.2	1.75	192.96	169.18	165.80	201.89	137.95	148.51
Pacific Basin (667)	179.69	+0.1	157.03	164.04	+0.1	0.73	179.52	157.38	163.92	194.72	160.44	193.28
Euro−Pacific (1656)	164.74	+0.1	143.97	148.08	+0.0	1.68	164.50	144.22	148.05	174.18	141.56	163.87
North America (662)	134.59	+0.2	117.62	133.60	+0.3	3.52	134.28	117.73	133.24	146.66	112.79	120.61
Europe Ex. UK (683)	130.09	+0.1	113.69	114.77	−0.3	2.72	130.01	113.99	115.07	135.73	96.30	100.26
Pacific Ex. Japan (212)	131.45	−0.4	114.88	120.59	+0.4	4.74	132.04	115.77	120.16	140.05	111.93	133.01
World Ex. US (1849)	164.39	+0.0	143.66	147.61	+0.0	1.75	164.35	144.10	147.66	173.77	141.49	162.49
World Ex. UK (2085)	152.05	+0.1	132.88	143.54	+0.1	2.06	151.96	133.23	143.47	162.00	136.98	145.54
World Ex. So. Af. (2331)	152.33	+0.2	133.12	142.95	+0.1	2.29	152.06	133.32	142.80	161.84	136.67	146.20
World Ex. Japan (1936)	138.15	+0.1	120.73	130.53	+0.1	3.54	138.03	121.02	130.45	145.52	114.51	120.92
The World Index (2391)	152.64	+0.1	133.40	143.06	+0.1	2.30	152.49	133.69	142.87	162.05	136.68	146.07

Prices for Finland & Sweden were not fully updated following problems at the exchanges.